

CAN WE COMPETE ABROAD?

BY
C. C. MARTIN

PUBLISHED BY THE
NATIONAL FOREIGN TRADE COUNCIL

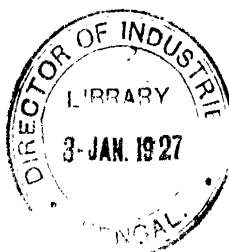
AS A CONTRIBUTION TO THE LITERATURE OF
AMERICAN FOREIGN TRADE

1926

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FOREWORD

Books produced by American authors, discussing the technique of foreign trade, the economic principles involved and the incident exchange problems are to be had today in rich variety. No attempt, therefore, has been made to touch on these subjects. My effort has been to present a living narrative of actual experience and practice, which tells its story without technical or economic comment.

C. C. MARTIN.

*New York City,
May, 1926.*

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CHAPTER I

STATEMENT OF THE PROBLEM

"There is no use," said the manufacturer, "we cannot compete with foreign goods. We cannot bring our prices down to their low wages, low standard of living, low level of profits. We have created a new standard in this country, the American Standard, and we must preserve it. If we decrease our standard, we decrease purchasing power, and the whole thing, from factory to worker, comes tumbling down. We not alone cannot compete, but we do not want to compete at the price demanded. Let us cultivate the domestic market."

At home our idea of competition is a complex one. If we take the opinion of government, Congress, the Supreme Court, Federal Trade Commission and the mass of the people, competition is a valuable part of trade activity. It must be preserved at all costs. The attitude of business, however, is quite different. Trade associations, patent pools, informal agreements, price-fixing in many forms, are working to prevent competition which may mean low ratio of profits, unsatisfactory buying conditions and so on. But the attitude toward foreign competition is harmonious. Here capital and labor, government and Congress are united in believing that it is to our advantage to fight it and vanquish it.

Our idea of foreign competition also differs from domestic, in that the average man believes it to be based solely on price, the article of lesser price always winning. Price is the measure of value, and it is the measure at home as well as abroad, but it does not follow by any means that the lower or lowest-priced article is always purchased. If we had two identical things offered a possible purchaser at the same time and there was a difference in price, other things being

equally, the lower-priced article would probably be selected. But two identical things are rarely offered the same person at the same time, the offer usually consisting of different things at different prices, frequently at different times, while many other influences usually operate in exchanges of goods. This situation makes possible the strategy of salesmanship and advertising, the weight of good will, and explains the fact that different makes at different prices of automobiles, or shoes, or hats, or machine tools, or radios, or what you will, are purchased in large volume from many different manufacturers. At home we know price is only one factor. Advertising, service, invention, salesmanship, production, are clearly recognized as vital elements in the moving of goods from manufacturer to ultimate consumer or user. But abroad the situation is frequently viewed as different. Many believe that there the one consideration is price, and this is the thing that gives us pause.

A few days ago I stopped to see an old friend, the purchasing agent of a large corporation. In the outer office sat a dozen salesmen waiting a chance to plead their cause. While I sat chatting with my friend a card was brought to him. The visitor was shown in immediately and shortly thereafter departed with an order signed.

"This man does not have to wait like the others?" I inquired.

"Never! He is a member of my golf club, knows a lot of the right sort of people, and best of all can tell me almost as much about my business as I know myself."

Shortly afterwards I walked down the main shopping street of a great American city. Wide, plate-glass windows on every side struggled with each other to get to the passer-by and plead with him to buy—a riot of competition. Goods of the same and different classes, appealing through novelty, price, quality, weight of advertising, prestige of the house, satisfactory dealings between merchant and customer, friendly recommendation and all the manifold things that go to make the public part with its money, which once spent

is gone for good, but which while possessed may be used for a great variety of things.

This day's experience brought to mind work covering many years in foreign fields selling various lines of goods. Was there any essential difference between the domestic and foreign market?

Taking my own experience as a guide I have recently examined the record of our export work. United States competition abroad, in principle, is United States competition at home—the same theory, the same practice. The United States is not a single market. We have 117,000,000 people spread over three million square miles, with a common language, it is true, a uniform currency and a single monetary system, but with a great many different markets and a great many competitive factors. We have low and high costs of production in all lines, we have analogous situations from dumping to two extremes of price for the same class of goods. But at home we bend every available energy to selling these goods, and we have got to use the same energy in selling goods abroad.

Our competition is made effective abroad in exactly the same way it is made effective at home. The problem is to sell goods at a profit, and we do this in both fields. Our success abroad is directly as to planning and efficient effort, and inversely as to the absence of these things. This is also the rule at home. There is essentially no difference between the two fields so far as principles are concerned. We work abroad with quotas, economic analysis, credits, forecasts, advertising, calculation of costs and other characteristics of domestic work. We have competition to meet of different sorts, as we have competition of diverse character at home.

We have price competition in the United States based on distress selling, buying at cost or under cost as a result of placing orders at slack manufacturing periods, low costs of production as in the case of southern cotton mills and non-union coal mines, gluts of commodities as in the case of oil, efficient and able management and selling, or lack of these,

and so on. We have the same competition abroad based on similar or analogous conditions. But price in any case is only one of a great variety of elements bringing about sales of goods. In the case of standardized or bulk goods price is frequently a dominant consideration, although even here prompt delivery and other things produce sales in spite of price. In a wide range of commodities, however, not standardized and not bulk goods, many elements enter into a buying impulse and this is true abroad as well as at home.

There is no difference in this matter between foreign and domestic trade. Popularly the idea seems to be that foreign trade can only be built up on a basis of price competition, but abroad as at home the same factors operate in creating a sale: quality, prestige, price, friendship, influence, service, style, quick delivery, ability to sell, advertising, novelty, adaptability, production, habit, accessibility, and innumerable other factors. If we know how to sell we can meet conditions at home or abroad. The belief that at home we at least have the protection of a tariff wall, and a certain "dead" line below which prices cannot go, while abroad the "dead" line is the lowest cost of the lowest wage country and cannot be met, is disproved first, by the wide range of production costs in this country, and abroad by the known fact that low-wage labor is inefficient and high-cost labor.

CHAPTER II

THE STATISTICAL STORY

Mere weight of statistics is against the theory that we cannot compete abroad. During the calendar year 1925 we shipped abroad \$4,909,000,000 worth of goods, or \$13,400,000 a day, including Sundays and holidays. A great mass of this volume we did not have to sell. It sold itself. We did not have to sell our cotton, copper, wheat, tobacco, and many other things. The world needed them. We were the cheapest or the only market. But of this total 60% was manufactured or partly manufactured goods that depended in good part for their movement on competitive selling, including in this word all of the factors that should properly be included.

During the past year we shipped abroad \$334,000,000 of automotive items, and if we include certain related goods, such as tractors, tires, storage batteries, etc., the figure is \$400,000,000; we sold \$78,000,000 of agricultural machinery; \$158,500,000 of chemicals; \$52,155,000 of leather. During the past year specialty exports were \$158,697,000; and specialties include such highly competitive products as office appliances, sewing machines, jewelry, clocks and watches, photographic goods, musical instruments, and so on.

The American typewriter clicks today in 100 different countries and we defy the world by having no import duty. Stetson hats are style standards in hundreds of foreign cities, and S. S. White dental goods are demanded by dentists in all parts of the world. Disston saws are buzzing in the remotest forests of the world. The Bureau of Foreign and Domestic Commerce is receiving more than 6,000 letters

daily in large part regarding foreign trade, a gain of 850,000 annually over 1924.

In spite of British preference we shipped \$125,000,000 worth of goods to Australia during 1924 and \$150,000,000 in 1925, against \$43,000,000 in 1913. During 1925 we sent out \$85,000,000 in electrical machinery and apparatus. American electric fans are whirling in the tropics, the world around, American cooking and heating devices are making housework pleasant from the equator to the arctic, American electric lamps are lighting cities and villages in the most distant countries and colonies of the world, American radio apparatus is now working in 60 countries as the result of last year's export, American dynamos and industrial electrical machinery are bringing wide recognition to the American inventor and to the integrity of the American manufacturer. Our exports to Latin America in 1925 totaled \$960,000,000, compared with \$848,000,000 in 1924, and we enjoy nearly one-fifth of the commerce of the world.

There is no evidence here of inability to compete.

CHAPTER III

EXAMPLES OF COMPETITION AND INFLUENCING FACTORS

Not so very long ago the Argentine Government called for bids on locomotives for the state railways, with speedy delivery an important consideration. When the offers were opened a broad grin swept over the faces of continental competitors, for the American bid was 38,000 pesos per machine higher than the European. But the grins turned to expressions of incredulity when the government official read, "delivered under steam on the rails in Entre Rios 90 days after receipt of order." The order was given on that basis. The whole European continent protested that it could not be done, but fifty-nine days after the cable was received in the United States the locomotives were loaded aboard ship fully assembled, and after a record run were landed with time to spare. Ever since 1869 the Baldwin Locomotive Works has been shipping locomotives to the Argentine. The presidential train on the State Railways is pulled by a 75-ton Baldwin, one of a total of 425 that have been built for the Argentine, one of the most highly competitive markets in the world. Baldwin has a strong organization in the Argentine, equipped for the finest engineering advice and service, and recent reports state that Americans are underbidding Germans for locomotives in Brazil.

In 1923 Italy had to import 540,000 tons of mineral oil, and consumption is on the increase. National production has been only about a hundredth part of the quantity imported and is decreasing. For ten years the state has made great efforts to encourage oil exploration, but results have been negative. Millions of lire have been expended. Oil

companies are plentiful in Europe, and Italy is a territory of great political importance. But when the Italian Government reached a decision as to what company possessed the necessary resources, financial and technical, to develop the Italian fields, the choice fell on an American concern.

Our post office has joined hands with the exporter, and, through the parcel post, American goods are being shipped abroad to the value of more than \$2,000,000 a month. Cotton and silk goods, clothing, woollens, furs, shoes, and all the various things that go to make up trade enter into the movement. The foreign customer can keep down his inventory by regular parcel post shipments, the exporter's risk is less, and style changes may be taken advantage of with increase in turnover. Every month 500,000 shipments leave our shores. During the first eleven months of 1925 shipments, greater in value than \$25, totaled \$23,772,732. Great is the value of the postage stamp in foreign trade, and such things as the two-cent postage rate between countries of the western hemisphere, and constant extension of parcel post facilities throughout the world by the Postoffice Département, are constructive work of the highest order.

Wherever the United States army fliers landed, in the round-the-world flight, they found Vacuum oil. Whether at Seattle, Chignik, Yokohama, Bagdad, Belgrade, Paris, Scapa Flow, or where you will, the 25,000-mile trip was dotted with necessary supplies of lubricant. In many countries of the world this company operates with its own organizations and refineries. Selling in the native currency and under credit terms prevailing, with one price and one grade of goods, this concern is typical of how far American enterprise and American integrity have gone in foreign trade. No foreign organization can show a comparable development from a merchandising standpoint, from the technical one of constant progress in the chosen field and from the business angle of service to customers.

What a sad story it is! Versailles, San Remo, Hythe, Boulogne, Brussels, Spa, London. Vain efforts to settle ha-

treds, political fears and jealousies by those who hate and fear and are jealous. When the issue had become absolutely hopeless, and there was no way out of the labyrinth, they called this time, not on three wise men of the east, but on a trio from the west: Dawes, Robinson, Young. Whatever may be said of the unpopularity of the United States abroad, when foreign nations wish to get a square deal they are pretty well convinced they can get it from Americans. No nation can show a finer honor roll than the one on which is inscribed the names of Americans who have been the god-fathers to the new life of many nations.

Dr. W. W. Cumberland, an economic adviser of our State Department, gave Peru a federal reserve bank and 90 per cent gold against her paper money. Americans direct the public schools, public health, irrigation projects and many other things. Major Imbrie lost his life in Persia, but Americans are making honesty and fair dealing a new code for the country. Dr. Arthur C. Millspaugh is the man who has charge in Persia of innumerable reforms, from irrigation to control of the opium traffic and the grasshopper pest. Revenues in Bolivia are under supervision of two Americans, Messrs. MacGowan and Whitaker, and Santo Domingo finds William E. Pulliam, also an American, in charge of the purse strings. Dr. Cumberland, having cleaned up his work in Peru, is now doing similar work for Haiti, and today the complaint is made that Santo Domingo is paying off its debts too rapidly, while the Haitian people have never known the peace and progress they see now. Nicaragua has been helped by American advisers for many years, and Mr. Clifford D. Ham has written integrity large in his record; Ecuador engaged Mr. John S. Hord to plan many needed reforms; Mr. W. W. Renwick has direction of matters in Salvador; Dr. Arthur N. Young in one year turned a deficit into a surplus for Honduras; Dr. John D. Long, of the United States Public Health Service, is reorganizing the Chilean national sanitary code.

In certain of the above cases Americans were chosen

as a condition of obtaining loans in the country, but there are many instances where such was not the case. Prof. E. W. Kemmerer was asked to study Colombian conditions because of his international reputation, and his plan for a reserve bank saved the country from a serious panic. Today Colombia is prosperous and the peso at or above par. Dr. Kemmerer, a few months ago, gave Chile a central bank and financial stability. He will reorganize the national finances of Ecuador, and he has done valiant service in other parts of the world, from South Africa to Poland. Jeremiah Smith, Jr., who has charge of matters in Hungary, Shuster in Persia, Dawes, Robinson, Young and Gilbert in Europe, are conspicuous examples of Americans called to the bedside of the patient because it was believed they alone knew what medicine to give.

But not alone in finance are Americans called upon to aid foreign countries. When Argentina decided to devote increasing attention to agricultural matters, she turned immediately to the United States. The Argentine press has not stinted praise for work done by Mr. Leon M. Estabrook. Mr. Ernest L. Tutt and Dr. M. E. Winters are preparing plans for the development of cotton growing, and long articles by these men have appeared in the press discussing agricultural prospects and the best means of attaining constructively the ends in view. Equal appreciation has been given the work of other Americans, Mr. Frederick Richey, Mr. H. L. Westrover, Mr. Thomas Breggar and Prof. R. A. Emerson in their investigation of different phases of agricultural development and, particularly, marketing and selling of cereals. As a result of their work, agricultural statistical methods, research and development have been completely changed. Dr. H. Foster Bain, Mr. E. C. Swanson and Mr. C. E. Williams are investigating metallurgical conditions, and many Argentine government departments are taking their inspiration from this country. But splendid work is being done by Americans in other countries. Dr. Taylor is giving Salvador many new crops and creating new

national wealth, while Rockefeller doctors are cleaning up the plagues of the world and giving many nations human productive wealth that otherwise would be lost. The inspiration of this country is seen in the Pan American Sanitary Code, signed in Havana, November 14, 1924, by eighteen American republics. From China to the Near East Americans are active in philanthropy, sanitation, rebuilding monuments of the genius of former days, and other disinterested endeavor, which is giving the United States a vastly different appearance from that of a selfish trader.

These men are not salesmen, nor do they have anything directly to do with sales of American goods abroad, although their advice concerning equipment has great weight. But trade is in good part based on confidence in the man from whom the goods are bought. These financial advisers and economic renovators, these generous, unselfish men and women, are trade representatives in the very highest sense of the word. China, Siam, Malaysia, South Africa, Europe, the Western Hemisphere, all bear witness to the fact, and as a result of this influence and others the Fourth of July is almost an international holiday.

When we dug the great ditch across the Isthmus of Panama, we had in mind chiefly strategic considerations. We did not want any more trips, like that of the Oregon, around Cape Horn under forced draught. But as frequently happens the sword is beaten into ploughshares in spite of us, and the Panama Canal has become one of our most effective arms in meeting foreign competition. Today movement through the Panama Canal exceeds that through Suez, and our trade with the countries of the Pacific has been intensely stimulated. Sailing distance from New York to Yokohama was shortened 3,000 miles; to Shanghai, some 1,500 miles; to Melbourne, nearly 3,000 miles; to Wellington, about the same; to Vladivostok, nearly 7,000 miles; and to the west coast of South America about one-third. As a direct result of the Panama Canal, trade with the West Coast of South America and many Pacific countries has doubled, trebled,

quadrupled, and today totals many hundreds of millions. And business is increasing so fast that we shall soon have to build another great waterway through Panama or Central America.

CHAPTER IV

TESTIMONY FROM THE OTHER SIDE

A favorite object of scorn for Thomas Carlyle was the assertion that "no man is a hero to his valet," which Carlyle immediately answered by saying that the "valet would not know a hero when he saw one." This sounds a good deal like the honor paid the prophet, but it is particularly true of the foreign trader, in that most criticism of our exporters comes from home. If we go abroad we shall find a very different view indeed of the matter.

In a discussion of trade prospects in the Argentine, the *Manchester Guardian Commercial* regrets the lack of co-operation between British exporters and their men in the field, and believes that "American business has undoubtedly made much of its headway owing to the pursuit of an opposite policy, agents being helped in the matter of their expenses, and above all in their advertising, and often incorporated, should the shipper up north find that the business warrants their direct establishment in the Argentine market." At a luncheon at the Manchester Publicity Club, it was stated that "Lancashire did not attempt to research a single market, and for that reason its trade could not keep in touch with the trend of opinion in foreign markets."

Mr. H. O. Chalkley, Commercial Secretary to His Majesty's Legation, Buenos Aires, says that "for the bulk lines of British exports to the Argentine the question of advertising does not arise, but in many varieties of goods in which British trade is very low, there is good reason to think that firms fail to increase their trade in Argentina owing to the unwillingness to advertise, or to ignorance of the local im-

portance of advertising, coupled with propaganda. To go into details is beyond the scope of this report, but British firms are invited to give the matter more serious consideration, as Argentine consumers are very receptive to careful and systematic advertising of branded goods, backed up by judicious propaganda, and advertising is so far by no means overdone. It is worth remembering that importers can scarcely refuse to take up goods that are well advertised, and that agents of unadvertised goods cannot make much headway against competitive goods that are advertised."

The Bank of London and South America Limited, tells us in one of its circulars that "in certain lines, as has been said on previous occasions, American goods are unquestionably first, and an interesting example of their penetration is afforded by the fact that Argentine manufacture of boots and shoes rests wholly on the use of leased machinery coming from the States, rental being relative to the volume of production." "It would be foolish," asserts the Buenos Aires correspondent of the London *Economist*, "to suppose that British manufacturers will be able to compete on favorable terms, even if the rate of exchange moves in their favor. They cannot reasonably hope to do so in lines such as harvesting machinery, automobiles, typewriters and other items in which America is first and the rest nowhere."

A Russian correspondent of the Manchester *Guardian* tells us that "the stream of British goods to Russia has been practically negligible. There are indications that the United States is on the road to taking the place of pre-war Germany as the principal importing source, her specialty in that direction at the moment being agricultural machinery." Henry Ford recently sold the Russian Government 10,000 Fordson tractors, and he is following up this sale by bringing 50 Russians to his factory so that they may become experts in Ford tractors. The Ford Company pays railway and steamship fares to America, and salaries while the Russians are learning. Ford will also send experts and mechanical instructors to Russia. The Persian correspondent of the

London *Times*, writing from Teheran, says that "in the sitting rooms of Teheran hotels one may find export journals from Hamburg, Lyons and New York, but none from England."

Mr. Alexander Adams, Commercial Secretary of the British Legation at Bucharest, informs us that "one of the reasons for the sales of a certain American make of motor car and tractor in Roumania is that, attached to the work-shop of the agent there is an American mechanic, who personally supervises the delivery of each car or tractor, adjusts the mechanism and tests the running before the machine is handed over to the purchaser. The same mechanic looks over machines brought in for repair, gives elementary instruction to drivers, 'demonstrates' the car, and sees that the stock of spare parts is properly kept up, besides generally representing the immediate interests of the maker. The consequence is that when a purchaser goes to take delivery of a car or a tractor he is met by a skilled and experienced mechanic who has a detailed and accurate knowledge of the machine which he is handing over, and is able not only to see that it is in perfect adjustment, but also to give the purchaser any advice or information regarding it of which he may stand in need."

Fine tribute is paid to our work in the Dominican Republic by Mr. Darrell Wilson, His Majesty's Consul, when he says: "For the past seven years the Dominican Republic has enjoyed the blessings of internal peace and security. Commercial progress, which had been formerly retarded by intermittent revolutions and banditry in the interior, has benefited accordingly. During this period the country's finances have been placed upon a stable basis and an extensive programme of road construction has aided both commercial distribution and social intercourse."

Mr. Thomas M. Ainscough, H. M. Senior Trade Commissioner in India and Ceylon, reports that "there is considerable activity on the part of American manufacturers in appointing mercantile agents and sending specialists to India,

so that they may be organized when trade improves. I have met several instances recently where American technical representatives have been very active in studying the wishes of large buyers of plant, and have spared no effort in meeting their special needs. The view has been expressed on several occasions, particularly in the case of machinery, that American traveling salesmen are frequently more fully conversant with the practical working of their machines and are able to give more valuable advice on technical matters than their British rivals, who are often merely commercial salesmen and not engineers in addition. A feeling is growing among buyers that American manufacturers are prepared to follow up and support their representatives on the spot by a much more liberal supply of information, literature and advertising matter than is the case with many British firms. The American maker also appreciates the advantage of 'service' in a country such as India, and recognizes the need for ample supplies of spare parts and the services of specialists for the purpose of studying the needs of, and advising buyers with regard to, new developments, and also of consulting with them as to how the maximum efficiency can be obtained from their existing plant. This trait has been specially noticeable in the industrial plant and machinery and motor trades." In another report Mr. Ainscough writes that "American competition is very keen in electrical machinery and in those types of machinery and tools where the large domestic market of the United States has enabled American makers to standardize and so reduce prices. This also applies to certain forms of railway plant, such as automatic couplers and headlights. American exporters are paying much greater attention to the Indian trade. They are appointing mercantile agents and are sending specialists to survey the market. They are to some extent handicapped by the paucity of American merchants established in India, but are able to overcome this obstacle by granting such generous agency terms that British distributors are attracted.

"The United States Government is actively supporting this campaign, aimed at securing a greater share of India's trade. In addition to consular posts at Calcutta, Bombay, Karachi, Madras and Rangoon, three Trade Commissioners are stationed (two in Bombay and one in Calcutta), who report to and are under the control of the Bureau of Foreign and Domestic Commerce, Washington. Every effort is being made by reports and interviews to interest the American manufacturer in the Indian market, and in September, 1924, a special supplement of the weekly Commerce Reports was issued containing a comprehensive review of the economic position of British India."

In a report on the *Printing Industry in the Argentine*, the British Department of Overseas Trade calls attention to the active advertising of American type and the steady increase in sales. British houses are feeling this competition keenly, and two American houses supplying printing machinery, type and paper have secured a firm hold on the market. All of the principal newspapers, as well as most of the smaller ones, are equipped with slug-casting machines, the great majority American, which is also true of machines for composing and casting type in separate units. American cutting machines are making headway against German machines that formerly dominated the market, and American two-revolution presses are well known as a result of very effective representation. With reference to platen presses, in the last few years more than 300 American machines have been sold.

Does not the following from Mr. H. Kershaw, Commercial Secretary to His Majesty's Legation, Stockholm, sound a good deal like the rebukes our home traders get from their fellow-citizens? Says Mr. Kershaw:

"Having regard to this important aspect of present-day trading in Sweden, it is unfortunate that this exceptionally favorable opportunity is not seized with more enthusiasm by British manufacturers to develop the market. There is

still far too great a tendency to treat negotiations in a perfunctory manner. British firms are earnestly advised to treat agency applications from obviously sound Swedish concerns with very careful attention. A cold and indifferent reply in general terms to a serious business inquiry only engenders irritation and indifference in the recipient. Business is a painfully slow process when a serious inquiry elicits (as the writer witnessed recently) a catalog 14 years old without prices. There is also too general a tendency on the part of British traders to force the importer to declare all manner of details before quoting prices and terms. Very noticeable, too, is the British habit of over-estimating the effect abroad of the date of the foundation of a firm. That this factor is valuable cannot be denied; but it should none the less be a passive factor and not, as it is to be feared is frequently the case, allowed to do duty for a thoroughly comprehensive trading scheme containing proposals as to stocks, prices, discounts, packing, advertising, etc. British trade would progress much more rapidly if greater pains were taken to emulate to some extent (where possible) the methods of some other countries where traders quote prices, including customs duty, delivery in Sweden and payment against documents at a Bank of Sweden. Complaints are also made that insufficient attention is paid to local requirements as to packing, the same methods often being employed for consignments to the Dominions and to Sweden, a circumstance which frequently raises costs needlessly."

Captain U. de B. Charles, Commercial Secretary to His Majesty's Embassy, Madrid, has the same complaint to make as Mr. Kershaw. Captain Charles asserts that "the difficulty of introducing British goods into the Spanish market is not caused so much by a lack of demand, even making allowances for the reduced purchasing power of the country and the high cost of production, as by a general unwillingness to meet the requirements of purchasers. It may be that British taxation is so high that it is difficult for some

manufacturers to give the necessary credit abroad, or it may be the traditional conservatism which makes them prefer a small turnover and a high rate of profit in a known market. But whatever may be the cause, British trade undoubtedly continues to suffer from its failure to meet the requirements of the Spanish market.

"British firms, as a general rule, are too prone to make difficulties, and often lose what might have turned out to be important business through delay in attending to inquiries. The complaint that they do not reply to letters, even when written in English, is becoming so frequent that the matter calls for special mention. Ordinary courtesy in business demands that a reply, however brief or negative, should be made to an inquiry. The excuse so often given that the inquiry is in Spanish, and consequently not understood, does not appear to be a sufficient reason in these days, when Spanish is being taught in so many schools, colleges and universities. Again, Spanish firms very often take the trouble to have their letters written in English: why should not English firms have their replies written in Spanish? This apparent trifle very often means the difference between obtaining and losing an order. Yet many British firms, in their inquiries about the country, make a special point of correspondence being in English. This was perhaps easy to insist on before the war, but in these days of close competition and trade depression it is surely obvious that absolutely nothing which might affect the business should be overlooked. Much more depends, in Spain at any rate, on what may be considered as trifles than British firms appear to realize, and if their competitors go out of their way to attend to these details surely it is because experience has shown that they are worth attending to."

Mr. W. F. Vaughan Scott, Commercial Secretary to H. M. Legation, Santiago, Chile, registers similar complaints of the British foreign trader, as follows:

"There is a widespread idea among manufacturers and

merchants in Great Britain that they have a world-wide reputation, or that the fact that their manufactures are made in England is sufficient to make the public prefer them to all others. If a British manufacturer, no matter how widely known he may be elsewhere, has not spent money in advertising his name or his goods, he can be sure that he is unknown to the general public of Chile, and the fact that his goods are made in England will only be looked upon as a recommendation of good quality after they have passed the test in competition with similar goods from other countries. Second-hand reputation is of no value whatsoever.

"Complaints and Criticisms.—There is a tendency throughout the country to complain in a general way against the British manufacturer, and to criticize his methods. The forms which these complaints and criticisms usually take are as follows:

"(1) The difficulty of obtaining reliable information concerning British manufacturers generally.

"(2) While a large number of North American catalogs are regularly circulated, British catalogs are rarely received.

"(3) British catalogs, more often than not, are in English, which is Greek to the Chilean, and when translated into Spanish are frequently full of mistakes; they contain English weights and measures; they are not illustrated or sufficiently self-explanatory.

"(4) British representatives are not sent out often enough, and those who do come

"(1) Can rarely speak Spanish.

"(2) Have to make a hurried trip, lasting about a quarter of the time necessary.

"(3) Only visit Santiago and Valparaiso, whereas they should make a prolonged tour of all the principal towns.

"(4) Are sometimes not of a sufficiently refined or educated type to be personæ gratæ.

"(5) Rarely understand the mentality of the Latin races, among which the Chilean holds a high position.

"(5) British technical magazines and reviews are not systematically distributed, nor are they made sufficiently attractive to create enthusiasm among would-be Chilean readers and buyers. Similar North American publications are regularly circulated among users of machinery, mines, industrial companies, clubs, etc. These publications are frequently supplied free of charge for a period of six months or longer, and contain serial articles on technical subjects of sufficient interest to induce readers to become subscribers. Clubs are supplied free.

"(6) Among industrialists and users of machinery complaints are general that agencies for the sale of machinery are often given to firms who have no engineer qualified to advise them as to the types of machinery they should purchase.

"British manufacturers are not prepared to spend money on propaganda to the same extent as their principal competitors, their overhead charges are generally greater than those of Continental manufacturers, they lose much business by expecting their agents to pay for the whole or part value of samples which their competitors send out free of cost, and they are not nearly so ready to send out goods on consignment. As a general rule it is not desirable to send out goods on consignment, but certain classes of goods where competition is very keen, and particularly goods unknown to the markets, are exceptions to this rule.

"In many lines the United States are still able to underquote British makers for agricultural implements—this in spite of the higher wages paid for labor in the United States. British manufacturers are not, as a rule, prepared to give credit terms, which most large American concerns can be prevailed upon to grant. There appears also to be a lack of attention and technical advice obtainable from British

manufacturers in general. American concerns continually send out experienced experts, not only to assist their agents with advice, but also to study the markets. Visits from these experts create friendly understandings and good will. They see for themselves the difficulties their agents are confronted with, and are able to get the factory to remedy in their machinery what may be looked upon as defects or inconveniences for this market. They lay themselves out to give practical assistance with a view to bettering trade. They are able to see how to meet competition of other makers by manufacturing their machinery to suit the market's requirements. On the other hand, British concerns, as a rule, appoint an accredited firm as agents and leave them alone to get along as best they may.

“Advertising.”—British manufacturers do not seem to attach sufficient importance to advertising their goods in this market. The important annual agricultural and cattle shows are well patronized by all interested in the land, and afford an excellent opportunity for advertisement. At the exhibitions held annually in Santiago in the spring of each year (October) exhibits of agricultural machinery and implements always form one of the principal features. Foreign competitors take full advantage of these opportunities, particularly American and German, the machinery exhibits of the former country generally amounting to 75 per cent of the total. The Government maintains six agricultural colleges, where only American machinery is used.”

CHAPTER V

THE TESTIMONY IS CORROBORATED

A notable thing about the testimony we are offering is that it is not restricted to place or any particular nationality. It seems that the whole world has suddenly become aware of a new force, a new method. World-wide is the flow of our commerce and under the ægis of the compelling energy of the American salesman and American advertising, the waves and eddies of this trade are reaching the most far-flung shore. Our goods are being sold world wide, but better still they are being *bought*; that is, they are being *demande*d because the world insists on them.

La Nación of Buenos Aires states that our trade with Argentina has doubled in three years, contrary to the prediction that in a few years after the war our advantage would be lost to our former rivals, principally Great Britain and Germany. "The North Americans," says *La Nación*, "maintain their position by meeting Argentinian conditions, a step which has astonished and alarmed their rivals, who believed them incapable of developing international practice. North Americans have rapidly modified their procedure and adapted themselves to buyers' requirements, and they have been splendidly supported by constant and instructive propaganda emanating from men eminent in public life, trade and industry, activities of Pan-American organizations, etc.—in sum, a group of far-sighted and intelligent efforts designed to greatly modify the prejudice and suspicion widely held against the policies of the United States. The result has been a steady growth of trade with the Argentine and the establishment of large banking and commercial organizations. Of the three great nations which struggled for dominance in our market—Great Britain, Germany and

the United States—the latter retains the advantage it acquired during the World War, and which was believed to be only temporary.”

In the February, 1926, issue of its *Monthly Review*, the Bank of London & South America Limited states that “United States trade with Argentina is today running neck and neck with that of Great Britain, despite the handicap occasioned by the comparatively limited American purchases from Argentina. The value of the automobile trade during the first ten months of 1925, is said by the Department of Commerce in Washington to have been \$13,951,000, as against seven millions during the corresponding period of 1924. There are no final figures yet available covering American shipments of harvesting and agricultural plant to this country for 1925, but it is known already that the total must be phenomenally large, while the sales are reported to leave a very handsome margin of profit.”

Interesting contrast is drawn between American and British selling methods and capacities in a late issue of the *Times Trade and Engineering Supplement*:

“There is much to learn from the American salesman in Europe,” asserts the correspondent, “and this in spite of the inefficiency in languages. They do seem to realize the necessity of viewing the act of salesmanship from the other point of view. The British salesman, even when he is a linguist, is much more British in the act of sale than the American salesman is American. A curious example of this was seen by the writer in the South of France recently. It was a question of steel rods, and a British representative, in beautiful French, assured a possible buyer that there was no demand in England for such-and-such a type of rod. An American salesman would never dream of making a *faux pas* of that order. He begins by making it clear that he is there to meet a demand. He is not there to add to the number of consumers of something which is produced for his own country. He recognizes at once that in sizes and in qualities and in shapes

there are differences which are based upon profound differences in national characteristics.

"The remarkable way in which American trade was restored in Europe after the war has been described once for all in Mr. Whelpley's *Reconstruction*. It is an epic of adaptability to variant needs, and until we learn that adaptability we have not learned the alphabet of foreign sales."

An Australian correspondent of the *London Times* says:

"There are, within the experience of the writer, many American manufactures being sold in the British Dominions without effective British competition. Among those which contribute to the amenities of domestic life in rural or prairie districts, and must bulk largely in the domestic life of young countries may be mentioned the following:

"Motor-cars of adequate power, general utility, and low price. Country house independent electric light and power plant, water softeners. Apparatus for converting still water in wells, rivers or streams into high-pressure water for the sanitation of country homes far removed from the water companies' mains. Oil-fired central heating furnaces, enabling domestic work to be reduced to a minimum. Low-priced telephone equipment. Sanitary goods combining high class with low price. Ingenious kitchen apparatus.

"Among articles needed for commercial equipment in towns may be mentioned the following:

"Printing machinery of modern design. Cheap hydro-electric power plant. Compressed air machinery for drilling and much other plant, including features of ingenuity and novelty of design at moderate prices.

"In the general list of articles needed for both town and country development are novel and economical building materials and labor-saving scaffolding. Undoubtedly labor-saving equipment of this sort and for irrigation, harvesting, farming, etc., forms a large part of the imports to the British Dominions from North America.

"It may be pointed out that products such as those men-

tioned above are the natural outcome of an intensive study of human needs in most parts of the world, and that the results of many years of this kind of American activity are now being seen in an expansion of American trade at the expense of United Kingdom trade throughout the British Dominions. This gain, it should be remembered, is being made, in spite of high wages in the United States and higher import duties on American goods into the Dominions."

Mr. R. W. Dalton, H. M. Senior Trade Commissioner in the Commonwealth of Australia, in his report dated June, 1925, shows that during the fiscal year 1923-24, in adding and computing machines we secured trade valued at £95,630, out of a total of £107,955; in air and gas compressors trade to the value of £56,507, out of a total of £70,201, and in cash registers trade to the value of £73,404, out of a total of £73,754. In agricultural machinery Canada and the United States practically control the trade; in metal-working machinery the trade is divided between the United States and the United Kingdom; in mining machinery the share of the United States is greatest in rotary and percussive drills, in which we secured a trade valued at £35,320, compared with Great Britain's share of £13,195. Well-known makes of American tractors are continually being exhibited at agricultural shows and being demonstrated in other ways; of caterpillar tractors the United States sold £168,664 against Great Britain's £18,734, and tractors of other types £488,856 against Great Britain's £39,411; linotype and other composing machines were imported from the United States to the value of £209,405 as against £30,465 from the United Kingdom, and in printing machines and presses the United States secured trade to the value of £245,633 against £133,384 from the United Kingdom. The typewriter trade is still almost entirely American, the imports from the United States being valued at £192,679 compared with imports valued at £7,440 from the United Kingdom. The automotive trade is dominated by the United States. In mangles,

clothes-wringers and washing machines, the United States has nearly twice the trade of Great Britain, 50% more in roller bearings and ball bearings, four times the amount of Great Britain in machine driving chains, twice the amount in hinges, 14 times in barbed wire, double the trade in lamps and lamp-ware, 14 times the trade in axes, hatchets and so on, three times the volume in files and rasps, more than twice the amount in saws, etc. The United States dominates the market in glacé kid, patent and enamel leather; in rubber tires we sent £977,989, against Britain's £73,034; in cinematograph films we do 95% of the trade, and American organizations dominate the business; in cameras we sold £80,012 and Britain £33,969. We do 75% of the trade in vacuum cleaners.

Mr. Dalton concludes: "The heavy imports of price lists, catalogs and trade literature from the United States, in comparison with those from the United Kingdom, and relatively to the total trade of each country in all lines, is especially significant. These figures themselves prove a contention which is widely voiced throughout Australia, that traders in the Commonwealth are kept much better posted with literature, etc., from the United States than they are from the United Kingdom. Further, the heavy import of American *periodicals and books, posters for advertising and paper patterns*, all have a significance which is much wider than the actual value of the trade itself."

His Majesty's Trade Commissioner in the Dominion of New Zealand tells us that "failure to give 'service' is one of the most frequent causes of loss of business in all classes of trade in machinery, plant and instruments. Of the many instances that have come under my notice one of the most recent is that of a surgeon who wished to install an electro-medical plant at a cost of about £300. He obtained prices for an English and an American outfit, both of which were known to him by reputation and of excellent quality, the English being somewhat the cheaper. On inquiry he was

informed by the firm through which the English plant was sold that no plant was in stock in the Dominion, although it was believed that one was on the way out, that instructions for erecting and working were supplied with the outfit, and that it was understood that any electrician could install it, and that any spares required could be ordered from England by cable. The firm through which the American plant was sold could show the plant installed and in operation in their showroom, could deliver within a week, would send a trained mechanic to install and instruct in operation on payment of out-of-pocket expenses, and kept a full stock of spares and would undertake to send up a trained operator to make any required adjustments or repairs at any time. The order went to the American firm, although the surgeon would have preferred, to buy from England, and moreover partly on account of his experience the hospital in the same township shortly after installed an American X-ray outfit, at a cost of £1,400, although an English plant of proved efficiency could have been obtained at 10 per cent. less cost.

"In advertising, in the supply of catalogues and trade and technical information and show-cards, United Kingdom firms are, as a whole, far behind their competitors. So much has already been written on this subject that there remains nothing new to add. The extent of advertising and propaganda necessary in any line must depend on the custom of the country and on what is being done by competitors, and this is a matter on which the advice of a competent agent should be accepted."

The *American Weekly*, of Buenos Aires, notes that "when German hardware began to flood the Argentine market in 1921, American exporters were thrown into a panic by the eagerness with which native dealers accepted the German articles because of the visions of larger profits with less capital turnover. But today American builders' hardware and small tools are being sold on a quality basis against large differences in prices as compared with the European goods.

Mechanics do not want to have to replace their tools after a few months' use, and they will pay more for a reputable article."

A correspondent of the London *Economist* says that "every manufacturer and merchant knows how difficult it is to regain lost markets. It is only natural that during the war Great Britain should have been compelled to relinquish much of her export trade with Latin America. The means of transport were difficult and meagre. Had this difficulty been non-existent, however, British exports must have declined heavily by reason of the occupation of manufacturers on military necessities. The situation in Great Britain furnished the manufacturers of the United States with an excellent opportunity to extend their sales to the Latin republics. They were not slow to take advantage of circumstances that involved a partial suspension of British exports to old-established connections in Central and South America, Mexico and the Spanish West Indies.

"British exporters cannot study the figures of British and American exports to Latin American markets without experiencing some discomfiture at the progress of transatlantic competitors in markets that were once largely in their own hands. Is it possible to regain those lost markets? It is, if an aggressive policy is pursued by the British Government and by producers and merchants of Great Britain.

"In view of the fact that the United States has consuls, trade commissioners, and special trade investigators far in excess of the number of our own officials, would it not be well to augment the number of the latter and thus assist our manufacturers and merchants in their endeavors to procure a larger share of trade with Latin America? Anyone familiar with the exhaustive reports issued by the Bureau of Foreign and Domestic Commerce, Washington, will readily appreciate the valuable assistance rendered to the business community of the United States by its commercial representatives. To contend that British houses have for so long

been cognizant of the requirements of Latin America that no additional information could be furnished is to ignore numerous factors that are continually changing, the most important of which is the origin of the people's imports. Further, the development of the countries' resources calls for large quantities of commodities outside and additional to the ordinary merchandise imported.

"It is fashionable in some quarters to underestimate the labors of the Pan American Union and to treat lightly the beneficial effects of those labors upon the commercial life of the United States on the export side. In the library of this institute there are over 100,000 volumes, and there is hardly a natural resource or an industry or a phase of Latin-American life that has not been dealt with in those publications. Trade bulletins are constantly published, and the information therein contained is the latest available, resulting from contributions by well-informed writers and by special emissaries of the Union periodically sent on tours of investigation to each of the twenty Latin republics.

"Through the Bureau of Foreign and Domestic Commerce and the Pan-American Union the business houses of the United States are afforded an invaluable medium of education. So little is known in Great Britain of the life, customs, and commercial requirements of the Spanish and Portuguese peoples across the Atlantic, that ample scope exists for educational work, both by the British Government and some organization similar to the Pan-American Union. Everything possible should be done to assist British exporters in markets the value of which is infinitesimal compared with their magnitude in the near future, when the evolution of these comparatively undeveloped countries proceeds in earnest."

In September, 1925, Mr. H. A. Hobson, H. M. Consul, Caracas, Venezuela, wrote:

"Thus the United States has a very large proportion of the import trade of Venezuela and is our most serious com-

petitor. The difference in the distance between the two countries, the freight rates, and the ability of the American manufacturer to produce the type of article required in this market are the chief factors in their success."

The Rio de Janeiro correspondent of the London *Times* states that "American institutions are very active in South America, and while they accomplish a great deal of very excellent work they propagate a knowledge of and sympathy with American ideals and methods. Many eminent Brazilian engineers have passed through the Mackenzie College and have prosecuted their studies in the United States. The Harvester Company in the same way sets out to assist the farmer and this work is being actively prosecuted in Minas and other States. It is reported that a list has been made up of 15,000 names of bona fide farmers available for the receipt of literature, circulars, etc. Such assistance is readily afforded through Brazilian official and unofficial institutions, having for their object the more systematic application of scientific knowledge in practical cultivation of the soil."

The *Frankfurter Zeitung* speaks in glowing terms of the Bureau of Foreign and Domestic Commerce in Washington, and believes that in no country can a similar organization be found. "Whoever enters the eleven-story building on Pennsylvania Avenue leaves with the conviction that here we have real servants of the people. Thousands of inquiries arrive every day and thousands of answers leave every day. . . . The Bureau has the closest possible public contact; there is hardly a journalist that does not visit the offices daily, and reports are published widely throughout the country on all sorts of trade subjects."

Senator Paul Dupuy, publisher of the *Petit Parisien*, of Paris, states that "in more than one way I am interested in the great problem of American exports. As a matter of fact, there are very few of my countrymen who directly or indirectly have not something to do with your activities.

We are using more and more American products in France, and we are glad to use them.

"As soon as I begin my day in Paris I realize how true this is. I shave with an American safety-razor; on the breakfast table I find most always a grape-fruit, a typical article of an American breakfast. When I go to my office, I ride in an automobile, a French machine, for we make very good automobiles also in France, but my gasoline is American, and has been put into the tank by an automatic American pump now to be found in every garage in France. In addition, my chauffeur tells me that a certain American oil is the lubricant which suits the engine best.

"At the office my first duty is naturally to read carefully all the papers published in Paris. Perhaps you would think that, at least, during that time I have not to deal with American things, but among these newspapers are two American ones printed in Paris, which I read with great attention. Then my stenographer brings me my letters written on an American machine, and which I sign with an American fountain pen. Next comes telephoning: of course, it is all American, and we have in our building more than 500 telephones connected up through your new automatic system.

"Moreover, the major part of our equipment comes from America; linotypes from New York, the stereotyping plant from Brooklyn, rotary presses from New York and Chicago, delivery trucks from Detroit. To all these you may add that the paper on which the *Petit Parisien* is printed is made in our own paper mill, which is so thoroughly American that I had to bring over from America fifty men in order to start the plant nearly twenty years ago.

"Thus America, American products, American machinery, have become part of our daily life in France. Any student of politics knows the part American institutions have played in the development of French political institutions."

From Sao Paulo, Brazil, a correspondent of the *Manchester Guardian* writes that in comparing the trade of Great

Britain and the United States, "it is well to remember that among the imports from the United States figure large consignments of motor-cars and accessories, gasoline, typewriters, office appliances, electrical goods, sewing and other machines, in which the United States specialize and which have to meet little if any competition, either from local manufacturers or from foreign countries. It is obvious, therefore, that until British manufacturers can compete with the United States in supplying the articles enumerated above, Great Britain can never again hope to hold, by an appreciable margin, the first place in the list of exporters to Brazil.

"In this connection it is interesting to note that one American concern is selling a motor-car at seventeen contos, of which three are paid during the first three months and the rest spread over eighteen months. Another company sells on the basis of payment of the first instalment of six contos during the first six months and the balance in twelve months. British motor-car manufacturers generally demand cash against documents and in some cases payment in London before delivery.

"Another point which might be emphasized is the absence of selling organizations for British manufacturers of machinery in the same way as these exist for American manufacturers, who have their own branches in the principal cities in this country, carry large stocks, and keep their clients well posted, not only as to the machinery on hand at local depots, but also as to that existing in other towns in Brazil and in transit.

"A complaint often heard is that most British firms dealing, or desirous of dealing, with the Brazilian market, are not as a rule inclined to participate with their agents in expenses for advertising. In addition, many manufacturers seem reluctant, or refuse to understand that propaganda—catalogues and other printed matter—needs to be in the Portuguese language if it is to prove thoroughly efficacious."

Mr. A. C. Elphinstone, member of the Queensland House of Parliament, asserts:

"I have for some years been astonished at the apathy and lack of enterprise of British exporters. To all appearances, and taking it in the mass, they do not appear to have considered the Australian trade worth bothering about, and patriotic Australians have perforce had to buy American articles simply because the Americans adapted their goods to our requirements. I have been loath to believe that the Old Country's traditional superiority in these matters was being lost, but having come to see Wembley and look around, I have been struck with the evidences that tend to the confirmation of my fears, especially after my experiences in the United States. For instance, I saw for the first time in a Long Acre motor-shop window a particular accessory the like of which we in Queensland have been looking for as particularly suitable to our conditions. Had it been an American production we should long ago have had its virtues preached into every motoring ear in the State. Again, in the case of an advertised article, I went into another London motor-mart and had to wait about for nearly half an hour, and finally leave without doing business simply because nobody except the manager, who was engaged, could discuss export prices with me. In America the very office boy would have hung on to me until an order had been secured.

"Even where there is some attempt to build up or maintain an Australian connection, the methods are generally unfortunate. The first error is an elementary one of geography. It is really astonishing the number of people who appear to regard Australia as being the size, say, of the Isle of Man, forgetting that its area is approximately three million square miles, and that in Queensland alone you can find room for several British Isles and still have some big corners left. And Queensland is only one of six States. Another point frequently forgotten is that all those six States enjoy

sovereign rights, having their own Parliaments, and being in many respects jealous of one another.

"In view of such facts the manufacturer would in most cases do better by appointing a distributive agent in every State, as each State thinks it is important enough to be so treated, and has, moreover, conditions peculiar to itself. The Americans realize this and act on it. Such direct representation not only stimulates agents to enterprise, but supplies a record of comparative business that effectually shows up the agent who is not pulling his weight.

"Now I happen to be interested in motors and motoring, and I should like to point out a few facts that all producers of British cars are apparently not aware of. Queensland, as I have said, is wide-spaced, a country of 670,000 square miles, with a population of about 800,000, no greater than that of Manchester. In such an area, and with so small a population widely spread, transport is a vital matter to us, especially road transport. It is essential that the transport medium must meet our road conditions, and many of the so-called roads are mere tracks. We would like British cars, but the British manufacturer does not give us what we want. The British car has certainly endurance, but though that is a prime factor it is not everything, and the sooner the British maker realizes what is necessary and provides it the sooner he will obtain our trade. What is necessary is a car of standard track and of good clearance; at least eleven inches clearance is desirable, for cars have often to run in ruts made by cartwheels over a road that is a road in name only. Then we want a good top speed, and three forward speeds only, but the top gear must be of good ratio and the second speed of good climbing power. Four speeds are not necessary; our roads are not of the quality or the grade of British roads. The electric system must be free from complication, with as few wires as possible, and reliable. I notice here that many motorists do not rely on their self-starters, which suggests that their battery system is none too good. In

Queensland the American cars on which we have to rely have the battery system, and it seldom fails us. Springing must be designed to stand up to rough conditions.

"Above all there must be adequate service. We don't want to send to England for spare parts; we cannot afford the time. The American agents in Queensland keep adequate stocks of spares, which are easily obtainable at a reasonable price. This is a great convenience; indeed, it is an essential convenience. I know one man who, because of this convenience, has had Ford parts built into his stationary engine. We don't think a great deal of appearance, for our cars have to go through rough usage, but we do want machines that will take our bad roads and for which spare parts are soon obtained. The British car that meets these conditions will find a sale with us, for we would like British cars. But they must be adapted to our needs; we cannot adapt our conditions to the cars.

"It is rumored that Henry Ford, who has about 10,000 of his cars, trucks and tractors in Queensland alone, is about to start manufacturing in Australia, and if he does it will be the first car factory in the Commonwealth, as no British maker had yet recognized the opportunity that exists for manufacturing cars in Australia, where local conditions could be understood and met, and the service problem solved."

Writing from Bagdad, a correspondent of the *Manchester Guardian Commercial* tells us that "in the past few months the writer has been in almost every Middle Eastern city of importance, from Alexandria and Jerusalem to Teheran and Resht, and everywhere the tale is the same—American cars there are innumerable.

"Several American manufacturers maintain their own representatives, who continually tour the district; the local Ford representative, for instance, covers the whole area from Greece to Afghanistan, and is continually on the travel; but he is also in close touch with all his local agents, which

is an excellent thing from all points of view. Such a representative ought to speak Arabic, which is the language practically of the whole Middle East, and French. It is impossible to over-emphasize the importance of creating a spirit of intimate relationship between the factory at home and the local agent. The writer knows one Syrian who is agent for a well-known American car. He is constantly in correspondence with the factory, has been invited by one of the directors to visit his home in America, and has even had a small patent of his own accepted and paid for by the firm and embodied in their latest model. As a result, he is keenness personified and has been known to travel 1,000 miles over execrable roads merely to supervise the opening of a sub-agency. He is selling, at the moment, more cars than anyone else in Syria, the Ford agent excluded. The moral is obvious. Such intimate relationships are built up, in the first place, by the firm's own traveling representative, who acts as the connecting link between the local agent and the factory.

"The Middle East is a market well worth cultivating, if certain conditions are observed and immediate results are not expected. In the meantime it must continue to appear deplorable to British local motorists that there is not one British car to be seen competing seriously in the whole Middle East with the Buick, Dodge and Hupmobile."

The Buenos Aires correspondent of the London *Times Trade and Engineering Supplement* says that "at the moment of writing the Argentine Press is devoting much space to what is no doubt well meant, but none the less dismal, criticism of Great Britain emanating from special correspondents and news agency experts; lengthy jeremiads which, if taken literally, would cause even more dejection than the situation actually warrants. The industrial difficulties now being experienced at home are, moreover, usually contrasted with the expanding figures of the trade done by our competitors, and notably by the United States. That the Americans can be proud of their steady advance in this

field one must admit. They saw their chance, and, with their genius for specialization, jettisoned remorselessly all the lines started after 1914, worked for some years either at a loss or at a very precarious profit, and have since made good in all their main specialties. The Argentine public sees this, and are apt to make comparisons, not always to Great Britain's advantage."

The same correspondent, in another issue of his paper, writes: "The United States Department of Commerce, through its Commercial Agents attached to the South American Legations, has done remarkable work for American trade in this part of the world, and more particularly in Argentina. People in Great Britain probably do not realize what large sums have been spent, not only on propaganda in American interests, but also on the compilation of special reports. It may be stated without fear of contradiction that thousands of pounds have been spent in the salaries and special fees to experts, often sent from the United States, engaged in such compilations. Valuable contributions to the study of Argentine trade and industrial expansion are kept up to date by means of frequent supplementary *précis*, and a system of cooperation between American firms and the Department, which entail considerable sums in wages, cables, etc.

"In a word, given a numerous and well-paid staff, it is hardly to be wondered at that the American should be able to produce results that appear to be far ahead of those of their rivals in the race for trade influence. The United States sells specialties which under present conditions in Europe are scarcely obtainable elsewhere at anything like similar prices. Were Great Britain to be shipping merchandise such as automobiles, cash registers, typewriters, and all the other lines that even London itself buys regularly and unquestioningly from New York, she would probably take it for granted that as these goods sell themselves, neither propaganda nor official interference is needed. It is more

or less the attitude adopted by far too many old-established houses, making and marketing British goods which until a short time ago were also expected to sell themselves 'like bread,' as the Argentine popular phrase has it; and only within the last twelve months has it been possible to observe a change in that view of the position.

"Plethoric with funds, able and willing to combine investment, credit and trade, if by such combination American manufactures can be placed abroad in important quantities, the commercial sections of the American Diplomatic Corps in this part of the world have not let tradition hamper their efforts. With material resources unstinted they would seem to have attained very happy results, judging by the important contracts and engagements entered into in Argentine. In justice, however, British manufacturing and exporting interests at home should remember that every step of their keen if friendly rivals in the River Plate markets, has been reported in ample time for those at home to enter into competition, if competition seemed possible, and on many occasions concrete indications have been given whereby the apparently wide margin caused by higher costs of production might be eliminated, or considerably reduced.

"It has to be pointed out that not even the ablest and most farseeing Government servant whose duty it is to report and to observe the course of trade, can be blamed when, having complied with that duty, the manufacturer or the merchant at home, is unable to close a deal. There was a time when British trade and British diplomacy in South American waters had the barest nodding acquaintance with one another. We have changed all that nowadays, and the worst feature of the present situation, as one views it from this end of the telescope, is that although local diplomatic representatives are keen to aid the man on the spot to make good, they find that it is next to impossible to communicate a similar keenness to the home shipper on whose behalf and for whose benefit they are working."

Mr. Stanley G. Irving, H. M. Consul and Commercial Secretary to H. M. Legation, Lisbon, Portugal, makes an interesting statement about American commercial penetration as follows:

"Agricultural Machinery.—Portugal being primarily an agricultural country, there is both a large actual demand and a still larger potential demand for agricultural machinery. This is a trade in which Great Britain has not recovered her pre-war position. The United States gets most of the orders for reapers and binders, American machines being not only cheap but efficient as well. Threshing machines are also bought chiefly from the States, though English threshers have not lost their good name. In order to sell agricultural machinery in Portugal, it is necessary to make a study of the conditions of the soil and to demonstrate locally. By this method some 40 Holt' caterpillar tractors have been sold—mostly in the south where the farms are largest. The average Portuguese farmer will not go out of his way to find the best machine—or any machine for the matter of that. He is content to go on in the old way. But if the merits of a machine are actually set before his eyes, he is always a potential buyer."

From Mr. J. H. Henderson and Mr. H. C. A. Carpenter, Commercial Secretaries to H. M. Embassy, Rome, we have the following statement:

"It is important for British traders to realize the necessity in Italy of securing that real acquaintance with the particular needs of the market and with the mentality of their customers, which can never be adequately obtained by any other means than a personal visit. Even when such visits are paid, much of the effect is frequently lost through the fact that the British representative has not a sufficient knowledge of the language. In regard to conditions of business, although more elasticity is noticeable, complaints continue to be heard of the comparative harshness of the terms of payment that are required by many British manufac-

turers. To take one instance, some British manufacturers of hardware in their dealings with a new customer will ask for payment even on receipt of the pro-forma invoice."

How many times we have been told that the shortcomings mentioned in the Rome report were peculiarly our own and not shared by any other nation!

The work of the United States is not alone being discussed in trade papers and official reports. Books are appearing which cover our work in foreign fields, and careful consideration is given methods which the writers believe are destined to win the lion's share of international commerce. A particularly interesting work is *Aux Etats-Unis: L'Exportation*, by Carl Van Overbergh. This author examines with refreshing thoroughness the development of American foreign trade, and believes that the future can hold out only the laurels given a dominating position and a strong grip on world commerce. "By virtue of the combination of state and private initiative, American exporting trade will be placed in a position where it will be able to study foreign markets in an exceptionally thorough manner. If the effort is continued along the road followed up to the present, one does not need to be a prophet to predict a crushing superiority. If other nations do not arm themselves they will inevitably be conquered. . . . In the near future we need not be surprised to see that American foreign trade throughout the world will rest on a series of carefully chosen strategic points from which it will proceed to conquer old and new markets. . . . Europeans should watch Americans, study them and imitate them so far as possible. We must take such measures as will prevent our being dominated and enslaved. We are menaced by the economic hegemony of the United States. . . . Now that the United States has become the most powerful capitalistic country of the world, the first of creditor nations, who cannot see that tomorrow they will be, in foreign trade and by virtue of their policy of investment, in-

creasingly redoubtable competitors of all world-trading nations?"

Inferiority of American business translation is a tale of great antiquity, and let us at once admit that much of it is bad. However, it is getting better, and today some is very good. But criticism of our Spanish, French, or what not, is always coupled with the statement that the Germans or British do not do things in this reprehensible way. But don't they? From many samples that have passed over my desk, I select the following from the largest and most aggressive of the many German export papers:

"Dear Sirs:

"On the repeated requests of our friends abroad, the principal essays of our review "Export-Woche" are published in the leading mercantile world's foreign languages since the 1st of April pass. Perhaps good many of our friends did not get aware of our paper is appearing not only in German, but also in English—besides Spanish, French and Italian—and therefore throw it away while ignoring German. That is the very reason why we now beg to call your valued attention to this new manner of publication recommending you at the same time to study mindfully the contents for the purpose of which we are sending our review in regular intervals when published in your own language.

"Further, please make abundant use of the enclosed supplement by which we are offering our best services for giving the address of prominent German manufacturers for export; if you have some special wishes, please let us know as only combined working between here and our friends abroad is granting immediate results; we are always ready for treating every mention reaching us.

"The advertising prices are also mentioned on the enclosed slip; might we strongly recommend you frequent use of this kind of expedient, as our paper is facilitating the very possibility reaching directly the German export industry's manufacturers. By a single advertisement you surely will come in relations with many firms of your branch ready to transfer the representation for your country.

"Awaiting with pleasure your prompt answer to these lines we beg to remain."

Another ancient tale is that we do not know how to pack. I thought this myself until a few years ago, but as the result of special study of the subject I learned that the most scien-

tific packers in the world were to be found among American concerns. The only laboratory in existence devoted to packing problems is at Madison, Wisconsin, operated on the campus of the University of Wisconsin, by the Forest Service of the United States Department of Agriculture. Says Mr. Van Overbergh, in the book already quoted: "Formerly complaint was frequent of American packing. Today these complaints are few. . . . Careful study has been given the problem by many firms, and Martin's *Export Packing* is a classic." The Canadian correspondent of the *Manchester Guardian Commercial* recently wrote his paper that "British manufacturers fail, as against the American manufacturer, in such matters as packing. In regard to a large number of household requisites the Americans box their goods attractively, whereas the British product is boxed in a much commoner way. Good packing does not necessarily insure good quality in the product packed, but good quality products improperly packed are hard to sell here."



CHAPTER VI

SALES FACTORS USUALLY IGNORED

Innumerable are the things affecting favorably, directly or indirectly, our foreign trade, such as the conference held in Lima, Peru, in December, 1924, on Pan-American standardization, suggested by the Fifth International Conference of American States and sponsored by the Inter-American High Commission and the Pan-American Union. A glossary of technical terms in English, Spanish and Portuguese will be prepared, and the work will do much toward eliminating misunderstanding between traders of the Western Hemisphere. Standards of quality and quantity will be of great value in our relations with Latin-America and in the relations of this part of the world with us.

At the Fifth Pan-American Conference at Santiago, Chile, in April, 1923, a plan was initiated for a Pan American Highway Congress, and in the summer of 1924 a selected group of Latin-American engineers and officials were invited to the United States to study problems of road building and motor transportation. Later there was organized in Washington by the visitors, the Pan American Confederation for Highway Education, with federations in each state of the Pan American Union, charged with stimulating and maintaining interest in a Pan American highway program. The ultimate goal here is the construction of a system of roads, which will enable one to travel from Canada to Punta Arenas, the extreme southern tip of South America. All of these conferences led to the First Pan-American Highway Conference held in Buenos Aires in October, 1925. The effect of this contact on purchases of American roadbuilding

equipment and automobiles will be very important, and as a direct result of this work great activity is being manifested in road construction in practically every country south of the Rio Grande. It is also notable that many of the highway contracts are going to American concerns, which are benefiting to the tune of millions.

Probably South America offers a greater field for the road builder than any other part of the world. Large areas of mineral and agricultural wealth are idle, while a rapidly increasing population is congesting the large cities. Agricultural and industrial centers that should be exchanging products suffer from the lack of a mutually beneficial commerce which cannot be developed until means of travel are improved. Railroads are doing much to improve the situation, but they cannot function efficiently without roads as feeders. In Argentina it is estimated that millions of dollars are lost annually because of lack of good roads from the wheat fields to the railroads.

These facts are clearly understood today, and demand for better roads has never been so great as at present. Mexico is going forward actively with a most ambitious program, and the same is true for the Argentine and other South American countries. The province of Buenos Aires is considering bills for providing cumulative funds for the maintenance of paved highways, and several projects are on foot for the construction of good roads in different parts of the country. Motor roads to serve as feeders for the Yungas Railway, are now under construction in Bolivia, and other roads of equal importance are being constructed and developed. The next Pan American Highway Conference will be held in Rio de Janeiro in 1926, and will give great impetus to the good road movement in Brazil. Sao Paulo at present is the leader in road construction in Brazil, and a number of roads to other states will soon be finished. The road to Rio de Janeiro has been finished as far as the border and merely waits completion by the Rio de Janeiro authorities.

Many other projects are being developed throughout Brazil.

The first session of the Permanent Highway Congress, organized in 1925, will be the main feature of this year in Chile. The Congress will meet in Santiago in September, 1926, the directors of the organization including representatives of all bodies of Chile that are interested in good roads. Many plans are being developed for road construction in 1926 and millions will be expended on this great work. In Colombia the Carretera Central del Norte now extends from Bogotá to La Paz, a distance of 270 kilometers. The Government plans to add 150 kilometers to this road by the end of 1926, eventually reaching the boundary of Venezuela and connecting with the road to Caracas. In recent years Paraguay has not been noted for the excellence of its roads, but developments during 1925 indicate a decided improvement. The Touring Club of Paraguay was formed early in the year to work for better roads, and the budget for 1925-1926 included an appropriation of \$200,000 gold for road construction. Many projects are on foot for improving existing highways and creating new ones.

The visit of the American Delegates to Peru, en route to the Pan American Highway Conference at Buenos Aires, greatly stimulated the interest in good roads, already fostered by the Peruvian Touring Club. The Senate has approved a bill providing for an annual subsidy of \$9,730 gold, to the Touring Club for its campaign for better roads. The road-conscription law, which requires a certain number of days' road work or its equivalent in money from each male resident, is an important factor, and is rapidly being carried into effect by the establishing of road conscription commissions in the various districts. An American company which recently completed the Avenida Progreso from Lima to Callao, has obtained the contract for paving the Avenida de la Magdalena from Lima to the suburb of Magdalena del Mar. One of the most important roads in the plan is that from the Amazon to the coast, but many other projects are under con-

sideration. Among Central American countries, Salvador has recently contracted for many miles of good roads, and a similar road-conscription law to that existing in Peru has been applied. The capital, San Salvador, is being completely repaved, and progress is being made in Guatemala and other Central American States.

In Uruguay some \$9,000,000 is being expended on the construction of the Rambla Sud from the Parque Hotel at Ramirez Beach, along the south side of Montevideo to the docks. Other projects include a road from Montevideo at Colonia, extension of the Montevideo-Flórida road to La Cruz and completion of the road from San Carlos to Miquez to connect with the Montevideo-Minas road. In Venezuela the principal road construction work for 1926 will be the completion of the Trans-Andine Highway, which is to connect Caracas with the Colombian border near San Cristóbal de Táchira. There will also be completed the Great Highway of the East, from Caracas to Ciudad Bolívar, and reconstruction of the Puerto Cabello-Valencia section of the beautiful road from Caracas to Puerto Cabello. The sum of 8,000,000 bolívares has been allotted for the last-named road section, which will be 60 kilometers long.

An organization like the Pan-American Union has a most beneficial effect on our foreign trade. Housed in a marble palace in Washington, and directed by Dr. L. S. Rowe, a man beloved throughout Latin-America, the Pan-American Union is the international organization of twenty-one American republics. It is devoted to the development of commerce, friendly intercourse, good understanding, and the preservation of peace between these countries. The Pan-American Union maintains a staff of international specialists, statisticians, editors, translators and so on, publishes monthly bulletins in English, Spanish and Portuguese, and numerous special reports on countries, cities, commodities, etc., of the Latin-American nations. The library contains

55,000 volumes, 220,000 index cards, 25,000 photographs and a large collection of maps.

It is impossible to overestimate the effect of American tourist travel abroad on our foreign trade. It has been said with truth that the American tourist has given the world hotel comforts and sanitation, but the other things that our citizens have introduced by their demands are innumerable. With increase in leisure and money, and particularly as a result of the World War, American tourists today are moving in an endless stream through the countries of the world, and we are spending hundreds of millions in purchasing comforts, necessities and luxuries abroad. But let us not suppose that all the money goes out. As a direct result of this tourist travel, American products in large volume and great variety go abroad to satisfy the demand of the tourist on the ground, or a demand implanted by that tourist. Instead of decreasing, this tourist stream will increase. Those who have been will wish to go again, the returning traveler stimulates the desires of those who have not been and steamship companies, as a result of lack of steerage traffic, are making every effort to bring the cost of ocean travel down so that constantly new strata of purchasing power will be tapped.

Imponderable things become ponderable in foreign trade. Quality of product and resultant satisfaction in use have much to do with our success. They say we do not make what the foreigner wants, but we do. This has also helped us greatly. The United States Steel Corporation has done much in this sense; the International Harvester Company has adapted its products to the needs of some 50 foreign countries. In a great many machinery lines the export type is becoming a definite factor, and service rendered by the manufacturer to the foreign customer is making us famous abroad. We still make mistakes in geography, technical and other matters, but they are growing less all the time, and the profession of export manager is getting to be a profession in deed and not alone in name.

Foreigners who have had their training in the United States, and Americans who have become distinguished citizens of foreign countries are innumerable. England as an example is typical. Sir Henry Thornton, head of the Canadian National Railways, is an American by birth, and was the head of the Long Island Railroad in 1914 when he was taken to England by Lord Claude Hamilton. He was put in control of one of the English lines, the Great Eastern Railroad, and he did what he was taken over to do, he taught efficiency to English railroad men. His fight was a bitter one, but he won out, and during the war he had control of all railroad operations in France. Sir Eric Geddes was born in England but came to this country as a boy. He became prominent in the railroad life of the south, and it was he who merged all British railroads into four big groups. Lord Ashfield is an Englishman with American experience, and began his career at 17 in the shops of the Detroit Street Railroad Company. In 1907, then known as Albert H. Stanley, he went to London to reorganize the Underground, London's subway. He brought order out of chaos, created the present transport system of London and completed the work of Yerkes.

An American went to London some 15 years ago for the purpose of teaching American merchandizing methods. He was fought on every side, but today Selfridge and his methods are followed and his store is one of the show places of London. The man best known in the British advertising world is Sir Charles Higham, who obtained his experience in the United States, although English by birth, while Mr. Irving T. Bush has been a potent influence in the business life of London. The Astor family has taken a definite place in British journalism, and 95% of the greatest English daily, the *Times*, is owned by Major Astor. Ever since Peabody, the famous philanthropist of Baltimore, went to England and built the first model tenement for the poor, the United States has been represented by outstanding figures, and

while they have been opposed at first they have been honored in the end. And what is true of England is true of many world countries. In the future this honor role will be widely extended, and the constructive enterprises of the world in most cases will be influenced by citizens of this country.

Today there are American Chambers of Commerce in Buenos Aires; Brussels; Rio de Janeiro and Sao Paulo, Brazil; Valparaiso, Chile; Hankow, Harbin, Peking, Shanghai, Tientsin and Tsingtau, China; Havana; Santo Domingo; Alexandria, Egypt; London; Paris; Berlin; Guam; Port-au-Prince, Haiti; Hilo and Honolulu, Hawaii; Milan and Naples; Mexico City and Tampico; Manila; Warsaw; San Juan, Porto Rico; Lisbon; Johannesburg; Goteborg, Sweden; Barcelona and Constantinople. One hundred thousand Americans are in business in Europe. Groups of Americans exist in practically all important trading centers, while our consuls and representatives of the Department of Commerce are ready to assist American business in every country of the world. Here we have an exceptionally potent influence in strengthening our competitive force.

We hear a good deal about the shortcomings of the American bank in foreign trade, and if we were to give ear seriously to all of this we should be sad indeed. From the point of view of some of us the bank could do much more than it does. It could discount without recourse, take credit risks of all sorts and many other things. But banking is a business just like any other business, and it depends for its existence on profits just as any other business should, although the bankruptcy figures published every month by Bradstreet show that some people have not yet got it into their heads that business *does* depend on profits. American banks during the war forgot the profits side to a certain extent and they paid bitterly for it. But today they are backing up the exporter and are gradually extending their work abroad in a conservative, constructive way that will mean much in the future. All this is very encouraging in

view of the comparatively short life of foreign banking in this country.

In 1895, the London office of the Equitable Trust Company, New York, was opened, and the foreign department of the National City Bank, New York, was established in 1897, with a staff imported from the Deutsche Bank. The charter of the International Banking Corporation, New York, which has since been absorbed by the National City Bank, was granted in 1901 by the State of Connecticut. In 1897 the Guaranty Trust Company, New York, opened a foreign department and at the same time established a London office. The Bankers Trust Co., New York, entered the field in 1903; the Chase National Bank, New York, in 1905, and the Irving National Bank, New York, in 1913. It was not until that year that any Boston bank had a foreign department worthy of the name. The passage of the Federal Reserve Act in 1913, by giving national banks the privilege of accepting time drafts and opening foreign branches, made it possible for the first time to abandon the practice of resorting to credits raised in London to finance our trade. Yet there was no one at that time who was prepared to predict that any great use would be made of these privileges. On the contrary, one of the national banks which has since taken a leading part in our transition from a provincial to an international banking viewpoint, said, in a pamphlet published early in 1914, that there was little chance of this country ever competing with the international bankers of London, Paris and Berlin. How accurate this prophecy was may be judged from the fact that the total of bankers' and foreign trade bills in the open market at the close of 1925 was \$773,735,592, over 90 per cent in the service of foreign trade. The percentage of acceptance liability to capital and reserves of the five leading London joint stock banks is about the same as our accepting banks, which means that we are doing quite as active an acceptance business in the New York market as is being done in the London market.

It was the lack of a discount market like that of London, Paris or Berlin, more than anything else that, in 1913, made the acceptance of a New York bank useless as an instrument of finance. This lack was in large measure attributable to the fact that the promissory note, instead of the trade and bank acceptance, was the prevailing type of American commercial paper. This commercial paper was the chief evidence of credit extension and indebtedness, and once in the banks remained there until maturity, even under pressure of such a demand for money as would result in the calling of stock exchange loans and possibly panic. Today during the course of the year sales of dollar acceptances in the New York market run to many hundred millions, and our discount market is as well established for the purpose of financing foreign trade as was ever that of London or any continental city. As Mr. Pierre Jay, Chairman of the Federal Reserve Bank of New York, recently said:

"New York has become a new center for the investment of the surplus funds of the world and now shares with London the responsibilities which go with this position. Not only do foreign commercial banks and other corporations keep larger balances here and invest funds in our money market, on account of the increased banking and commercial importance of the United States, but many foreign banks of issue now carry some of their surplus funds in our money market, a thing which I think we may safely say they seldom, if ever, did prior to 1914."

It is no small achievement for a country and its bankers to have built up in a little over a decade, the financial organization of continental centers that were the slow growth of centuries. Again we have and do compete successfully with our foreign rivals.

The American school is becoming a factor in a good many foreign countries, the one in Mexico City being notable. Founded in 1905, the Mexican institution is today housed in a new building, inaugurated in 1923, has in attendance 660

pupils and a staff of 26 teachers, all college or normal school graduates.

With good reason we are fond of praising the work done by the Germans in foreign trade education, but we must not lose sight of what we are doing ourselves. Indeed we are accomplishing fine things and every year sees an increase in this constructive effort. The National Foreign Trade Council has been in the van of this work for many years, and it is the main job of the National Council on Foreign Service Training, which was organized under the joint auspices of the Pan-American Union, the Consular Service of the Department of State, the Bureau of Foreign and Domestic Commerce, and the United States Bureau of Education. Through the effort and investigation of the council, the purpose that underlay its appointment has been kept steadily in mind, namely, to plan for and promote a type of training which would not only give to business and to the service of the Government at all times an adequate supply of properly trained personnel, but would aid in building an intelligent and informed public opinion on all matters relating to foreign contacts and relations to our Government and our people.

Through the United States Bureau of Education the council has aided in the establishment of broad foundational work in our schools and colleges for subsequent foreign service study, particularly in the field of business education, including the modern languages and social studies. It has helped in coordinating the various types and grades of schools offering instruction in these fields, in securing larger opportunities for the study of well-planned sequences in languages, science, and social studies, in order that our future graduates might enter the foreign service of the Government and of business with a broad background in addition to essential technique. The council has also stimulated the interest of organized business and education for better preparation for foreign service; it has participated in conferences on this subject in connection with annual meetings

of business men and educators, and has encouraged the publication of statistics, reports, etc., relating to foreign service training. As a result of this work and other of a similar character, 75 colleges and universities have well organized foreign trade courses attended by some 12,000 students, while those studying foreign trade in other institutions and in business houses number many thousands.

Fifteen years ago, when we wished to read books on international affairs we had to go to England or Europe for our material, but today we have as complete a library as can be shown by the oldest foreign trade country. Indeed there is reason to believe that we have advanced a good deal beyond many of our European friends in this matter, and we have every reason to be proud of our titles. The Chamber of Commerce of the United States has published a very complete bibliography, as has also the National Foreign Trade Council. The list of publications of the Bureau of Foreign and Domestic Commerce is a library in itself, and many of the titles are classic, treating practically every phase of financial or trade work. *Commerce Reports*, issued by the bureau, is an extraordinary trade publication, and has nothing approaching its counterpart in any country of the world. In addition many supplementary reports are issued, and a vast amount of information is on file which can be obtained for the asking. In other ways government assistance to the foreign trader in this country is unusually complete.

For those contemplating foreign trade work, one of their first steps should be to get in touch with the Bureau of Foreign and Domestic Commerce in Washington, which has at its disposal technical and practical advice of incalculable value to the young or old trader beyond seas. A bill has passed the House to greatly strengthen the foreign work of the Bureau by making the service a permanent institution instead of being dependent, as at present, upon annual appropriations lasting only from year to year. That this service is being taken advantage of far and wide throughout

the country, is shown in the last report of the director of the Bureau, Dr. Julius Klein. For the fiscal year ending June 30, 1925, requests coming from business houses reached the large total of 2,091,250, a gain over the previous year of 850,000, and as a result millions of dollars in business came to American concerns. The offices of the Bureau abroad show increased activity and are actively aiding American business and American banking in their work throughout the world. To those unacquainted with the work of the Bureau, consideration of the last report of the director will show an unsuspected and most constructive activity on the part of one government branch.

Our Department of State is also working closely with the foreign trader and is doing highly efficient things. As Mr. Joseph C. Grew, Under-Secretary of State, recently said, "we are training a new generation of red-blooded young Americans, straight-thinking, clear-speaking men, whose watchword is 'service,' and whose high conception of integrity, sincerity and patriotism is steadily raising the standards and effectiveness of the honorable profession they follow. They are at the service of every good American citizen and every legitimate American interest." Many indeed are the specific cases where these men have come to the aid of American foreign trade and in innumerable ways have saved money and time for our international activities.

By the terms of the Rogers Act the diplomatic and consular services were recently welded into one strong organization on the basis of permanent tenure of office, adequate salaries, allowances for representation, and pensions for those who reach the age limit or are incapacitated. Entrance is after rigid examination and promotion is on a merit basis. Exclusive of clerical personnel the combined activities, known as the Foreign Service, are represented by 656 officers serving in 51 diplomatic and 398 consular posts abroad.

In other directions we are working actively. A favorable

report has been made by the Senate Agricultural Committee on the Department of Agriculture Foreign Service Bill, which passed the House some time ago. The Bill recognizes the foreign service now maintained by the department, provides that agricultural commissioners now representing the department in foreign countries shall be known as agricultural attaches to the diplomatic missions of the United States, and it is made the duty of these representatives to acquire and transmit to the department information regarding world competition, the demand for agricultural products, production, marketing and distribution in foreign countries.

German propaganda in the South American press is an old story, and even today this news gets favored position in the daily paper. Such stories enjoy wide credence, in spite of the fact that the Associated Press and United Press are constantly adding to their list of South American services, special correspondents are sending their strings of cable news every day to various papers in the South and their typewritten material as well, the American advertiser is becoming the bread and butter of many a South American newspaper and magazine, the All America Cables are solid foundations in the service of American trade. And if more were needed we have the First Pan American Congress of Journalists, in session in Washington from April 7th to the 13th of the present year, which in point of merit, as national trade advertising, makes German and other effort of the past look pale indeed. Under the auspices of the Pan American Union, this congress is a big step in the matter of bringing the Latin American newspaper man closely in touch with our national ideals and principles, and will also have a definite, practical trade reaction.

In addition to discussion of journalistic matters, advertising, international relations, schools of journalism and the organization of a Pan American Press Association, the visiting delegates were shown American production at first hand,

and the automobiles, shoes, rubber goods and other things that have been advertised in their columns, became definite realities when they saw the factories in which these things are made, the technical excellence of organization and methods, and the firm, high ideals that inform and inspire the American manufacturer. No occasional articles by our competitors can possibly overcome the visual and mental impressions which the delegates received in their visits to Baltimore, Philadelphia, New York, Schenectady, Cleveland, Detroit, Akron, Pittsburgh and other great cities. The program combined in an admirable way an introduction to American ideals, as expressed in our points of greatest historic interest and continued in those great centers of industrial life where heart and brain have worked to such fine and constructive purpose.

Any retail store could hire some one to deliver goods purchased, but the general preference is for the store to have its own delivery system. This service is safer and more satisfactory from many points of view. If the goods are shipped beyond the city limits, it is our own postoffice or our own railroads that carry them. From many standpoints it would be better to ship in our own boats the goods our foreign customers buy, and whereas foreign bottoms in many cases give excellent service and low rates, the foreign trader knows that his longing for an American merchant marine is not merely patriotic sentiment, but is the result of many things he has seen and disadvantage he has suffered. We are building up this marine, and as the government gets out of the business our private undertakings and initiative will be strengthened and freshened.

The merchant marine of the United States, coastwise and seagoing, stands today at approximately 26,400 vessels of 17,400,000 gross tons, compared with about 19,500,000 tons for Great Britain. This country and Great Britain are the great maritime nations of the world, Japan being third, and France, Germany, Italy and Norway following in the order

named. In 1914 our total merchant marine, both coastwise and seagoing, amounted to 7,928,688 gross tons, while in 1925 this tonnage had increased to 17,405,902, and if we eliminate 2,500,000 tons of government-owned vessels which are unfit for peace-time service, we still have a large increase during the last decade. Omitting all sail craft and vessels below 1,000 gross tons, there is actually employed today in foreign commerce under the United States flag, 1,603,648 tons of privately-owned shipping and 1,820,930 tons of government shipping.

Our vessels are providing a regular, dependable service to all the principal overseas markets. It is not possible to take care of all American exports and imports in these bottoms, but a goodly portion may be transported under the American flag, and much more could be shipped if American traders made a concerted effort to see that their goods were sent in American bottoms. Many of our exporters could quote C. I. F., thereby assuring shipment in American bottoms, and foreign traders make it a point to see that this is the practice for their ships. It is pleasing to note that the tendency to favor American shipping is increasing among our importers, and American vessels are holding their own in the face of intense competition. As our foreign trade develops we shall probably have a revision of our shipping laws which handicap us greatly today, and the wages of the sea will bear more favorable comparison with those of the land. Our marine insurance companies will also be relieved of their taxation and legislative burdens, and the less than 35 per cent. of American imports and exports carried today by our ships, will be increased to a satisfactory ratio.

Ninety per cent. of domestic business is floated on a cushion of credit, but our attitude toward foreign trade is not always so liberal. "It is the man beyond seas whom we are not willing to trust, although in the last analysis he may deserve credit a good deal more than the domestic trader who is preparing for bankruptcy, who is careless with discounts,

or whose section of the country has or will shortly pass through economic difficulty. We are backward in this matter, but we are learning every day, and foreign credit granting is becoming a more exact practice. Credit insurance covering a certain amount of risk can be obtained, and credit information is available from a number of sources, notably that of the Foreign Credit Interchange Bureau of the National Association of Credit Men. In markets where we operate extensively our terms are generally favorable. The First National Bank of Boston in Buenos Aires recently stated that "in view of the frequently repeated assertion that United States exporters do not grant as good credit terms as their competitors, it is interesting to note that of the collections received by us from the United States in 1924, 30.56 per cent. of the value of the drafts were drawn at sight, 4.32 per cent. at 30 days, 11.57 per cent. at 60 days and 53.55 per cent. at 90 days or longer. In bills received from all other parts of the world, 44.74 per cent. were at sight, 6.07 per cent. at 30 days, 18.45 per cent. at 60 days, and 30.74 per cent. at 90 days or over." This is an encouraging comparison, and whereas the compilation necessarily leaves out terms granted on open account, there is probably no great variation in the situation.

The idea is quite general that American houses are niggardly in matters of foreign credit. Cash in New York, we are told, is the practice among exporters. There is probably no more erroneous impression with reference to foreign business. Any man who has had an opportunity to talk with experienced exporters and heads of houses interested in a major or important sense in foreign trade, knows that foreign credits in many cases are just as liberal and just as fair and constructive as domestic credits, and that they are granted in the same way and with the same freedom from prejudice. And let it be said that credit experience abroad may be as satisfactory as credit experience at home. It is all a question of experience and knowledge. But strong

houses are not going to be dismayed because credit terms demanded are of considerable length, provided the risk is good. If the risk is not good we had better let some of our competitors lose the money.

But is the foreigner always to blame for difficulties in credit situations abroad? Many times credits are given that should never be granted. A recent statement in the monthly bulletin of the Bank of London and South America Limited should be well taken to heart by every foreign trader. Speaking of conditions in the Argentine, the bank says that "it is no rare thing for a firm of recent creation, say two to five years, to present itself to the commercial courts with a balance sheet wherein the liabilities are out of all proportion to the capital responsibility of the concern. Pyramiding credit, dangerous at any time, is exceptionally so in this market, where international competition by sellers is general and apparently conducted on the principle that if A, B and C each allow a firm, say, £1,000, D may reasonably give the same house yet further facilities. It should never be forgotten that wealthy though the Argentine market may be, its numerical power of absorption is comparatively limited. A drop in prices at the manufacturing centers transmitted to local distributors does not necessarily connote increased and rapid sales. Even auctioning imported lots is not at all times efficacious as a means of raising ready money, for the good and sufficient reason that few buyers will be found to take over the wares, though offered at 'giving away' prices. In cotton textiles a position of this nature is reported to have arisen in regard to whites, with which the market has for some time past been very well filled at prices that are said to be 15 to 20 per cent. above current Manchester quotations. This statement is made in a general sense, being based on inquiries from agents and distributors. Given the average calculation of profit, the improvement in sterling exchange, and one or two other considerations not necessary to be gone into here, loss, even on these terms, would not be

inevitable, could the goods but be sold. •It is the limit of consumption and small inquiry that does the mischief in the case of the merchant whose use of credit is excessive, since the lock-up involved disturbs all his calculations and as often as not leaves presentation to the courts as the only way out of his *impasse*."

"That may be all true," says the conservative, "but at home we are dealing with uniform trade practices; we have a national bankruptcy law and a Chicago dollar is a Boston dollar." This would be fine, if it were true. The conservative seems to forget that every month our commercial agencies publish long lists of business mortality; we are now changing our bankruptcy law because of its inadequacy; the cost of our bankrupt and fire frauds in 1925 was \$250,000,000; the National Association of Credit Men drove in \$1,000,000 last year, to take care, in a way, of constantly increasing fraudulent failures; this country is no more free than others from sharp trade practices, cancellations, refusal of goods on this or that technicality, demands for allowances of all sorts and kinds. In the ten months ending March 31, 1926, the National Association of Credit Men obtained 62 convictions and 324 indictments on charges involving criminal acts in bankruptcy.

Even under the worst period of exchange fluctuation it was possible to assure gold values, and with more stable currencies today in a good many cases we can do without this insurance. However, many foreign credit losses take place because of the ignorance of the seller of credit procedure and neither in law or practice is there excuse for ignorance. Moreover, if we would stop trying to cram goods down the throat of the foreign buyer, without caring whether he can use them or not, we should be better off. But in any case the men who are daily shipping millions of dollars worth of goods abroad are getting paid for their merchandise.

Congress still doubts the need of providing our diplomatic representatives with a salary that gives them ade-

quate board and lodging, although a bill has recently passed the House providing for the lodging at least, and in the past certain sections of the world have not been considered very carefully when it came to a question of diplomatic and other qualifications for our official representatives. Europe and the Far East have not come off so badly in this matter, but the sore spot has been Latin America. Here anything seemed good enough. A radical change, however, has taken place in recent years, which is definite evidence of our improved attitude toward foreign trade and international affairs. It may be fairly stated that never before have Latin American affairs received such skilled and experienced attention at Washington. The majority of the posts south of the Rio Grande are well taken care of today by men trained in diplomacy, familiar with the language of the countries to which they are accredited and qualified by experience to attend to their duties.

Beginning at the top today we find Mr. Frank B. Kellogg, Secretary of State, who was a member of the American delegation to the Fifth Pan-American Congress held at Santiago, Chile, in 1923. Under-Secretary of State Joseph C. Grew and two of the Assistant Secretaries of State, Leland Harrison and J. Butler Wright, are men with experience in Latin American posts. Another Assistant Secretary, Wilbur J. Carr, was long director of the Consular Service. The chief of the Bureau of Latin American Affairs, Francis White, was formerly stationed at Buenos Aires and Havana. Our ambassador to the Argentine, Peter Augustus Jay, has had wide diplomatic service and comes from a family long distinguished in American public life. Edwin V. Morgan, ambassador to Brazil, is strictly a product of the diplomatic service, and was previously minister to Cuba, Uruguay and Portugal.

Our Chilean ambassador, William Miller Collier, was minister to Spain and president of George Washington University, Washington, D. C., and is noted for his knowledge

of Spanish. Our ambassador to Peru, Miles Poindexter, was formerly a senator from Washington and has gained a position of solid influence with the Peruvian Government, while Samuel H. Piles, minister to Colombia and also a former United States senator, has contributed greatly toward establishing cordial feeling between the country to which he is accredited and our own. Jesse S. Cottrell, minister to Bolivia, has been a distinguished journalist and brought to his diplomatic duties wide knowledge of men and affairs. Evan E. Young, minister to Santo Domingo, came from the consular service, and the minister to Uruguay, U. Grant-Smith, has had diplomatic experience in Latin America and Europe.

This honor roll should be continued with George L. Kreeck in Paraguay, James R. Sheffield in Mexico, Roy Tasco Davis in Costa Rica, Dr. John Glover South in Panama and George T. Summerlin in Honduras, all men trained for their jobs. Our new minister to Nicaragua, Charles Christopher Eberhardt, is the first example of the interchangeability between the consular and diplomatic services, while Montgomery Schuyler in Salvador, is distinguished in letters and in diplomatic service, and of all the diplomatic representatives in Salvador, is the only one housed in a building belonging to the country from which he comes. Our minister to Venezuela, Willis C. Cook, was prominent as a journalist, and has a long record of service on the bench in his state of South Dakota. All of the above is highly significant, for adequate diplomatic representation is a vital link in the extension of foreign trade.

Previous to 1914, the international money of the world was the pound sterling. The dollar was known and valued, but it was like a five-dollar gold piece in this country, it did not circulate. Today the dollar is the best known currency in the world, and the one that stands like a rock in a flood of shifting money tokens that for the most part run up and down hill constantly. The dollar, on the contrary, is gold, and gold is the dollar, interchangeable the one with the other

at any time. And whatever we may say of commodity dollars, or managed currencies and so on, the world has decided that gold backing is the best guarantee of any representative money. This fact has been and continues to be of inestimable value to our foreign trade, if for no other reason than that it gives our currency a prestige as great as that ever possessed by the pound sterling.

Not only are the people of the world impressed with these facts, but the proudest banks and governments are coming to us with requests for credits that will support their currencies. The Bank of England and the British Treasury are protecting the pound sterling with a \$300,000,000 credit from New York bankers and the Federal Reserve Bank of New York; in 1924 France obtained \$100,000,000, and the three Italian banks of issue \$50,000,000 in 1925. The National Bank of Belgium received \$50,000,000, with the promise of more if needed; \$40,000,000 was given to the National Bank of Denmark; \$10,000,000 each to Czecho-Slovakia, Finland and Poland, and varying amounts to other countries. We have the international loan of \$110,000,000 to Germany, which made possible the Dawes plan; \$25,000,000 to Austria; \$9,000,000 to Hungary; \$25,000,000 to the Gold Discount Bank of Germany, and so on. And let us not forget that the strength of sterling has many times been due to transfer of American balances to London, and today we have a fairly workable relation between the discount rate in London and New York, due to Great Britain's return to a qualified form of the gold standard, and, in great measure, to the support of American financial interests. Throughout the world, from the strongest government to the humblest peasant, the United States dollar is considered the standard value, and throughout this same world the products of American factories are beginning to be looked at in the same way.

This chapter should not be brought to a close without mentioning in emphatic terms the work done by many trade groups and associations throughout the country, which year

in and year out have carried on their work of education and encouragement in spite of many handicaps in Congress and among business men. The conventions and meetings of these groups, their consistent and ceaseless effort along educational lines, their defense of foreign trade in Congress and elsewhere, the time given without stint by the men interested in the work, have won out, and today those who have pioneered in this great effort know that throughout the length and breadth of the land, in the small and large factories and distributing organizations, foreign trade has taken a definite place in sale and production plans, and above all it has moved into a position where it commands respect and its due weight as a national factor of immense importance. Among these associations none has done finer things than the National Foreign Trade Council, but valiant work has been accomplished by the American Manufacturers Export Association, the American Exporters and Importers Association, the Chamber of Commerce of the United States, the Merchants Association of New York, the Boston Export Round Table, Foreign Trade Forum, New York, Export Managers Club, New York, Pacific Foreign Trade Council, San Francisco, and numerous groups throughout the country, organized specifically for promoting foreign trade or having foreign trade as a definite and important part of their activities.

The National Foreign Trade Council has been particularly active in making possible that provision of the present tax bill, which places our non-resident traders upon a footing of equality with their competitors, by exempting them from United States taxation upon income earned in the country of residence, provided they are non-residents of the United States during six months or more of the taxable year. A salesman in this country whose salary was substantially less than that of a competitor, would be handicapped in many ways. This handicap has been removed for American business men abroad, so far as taxation is concerned.

Although combinations of related business activities,

with possibilities of restricting competition and so on, are not permitted in domestic trade, in accordance with our policy of viewing foreign trade in an entirely different light combinations for work abroad are permitted, under certain conditions, in what is known as the Export Trade Act, or the Webb-Pomerene Law. A considerable number of organizations are today operating under this law, selling locomotives, corn products, paper, milk products, abrasives, textiles, cement, lumber, phosphates, alcohol, rubber goods, furniture, sugar, paints, and many other things, and it is quite possible that as time goes on much more extensive use will be made of this enabling legislation than has been the case during past years.

CHAPTER VII

EVIDENCE OF PROGRESS

A Scotch trader recently told me that on his many trips to this country he found Americans, on business bent, crowding the ships going east, while English business men could almost be counted on the fingers of two hands, on the ships moving west. Indeed at no point is the extension and importance of our foreign trade quite so ubiquitous and obvious as in London, one of the most highly competitive markets in the world. Kingsway and Aldwych, two populous sections of the city, are rapidly changing their character, and in an address before the Cambridge Union Society it was stated that American firms threaten to spread from these points all over London until England becomes, in a sense, a subsidiary state of the United States. In 1925, we sold Great Britain more than \$1,000,000,000 worth of raw materials and manufactured goods.

A walk through the London center of American activity gives some color to the above statement. A building called "The Pen Corner" shelters Waterman's "Ideal" Fountain Pen and Dixon's "Eldorado" Pencil, and the organization back of these two articles covers the British Isles and many foreign countries; a wide range of Art Metal furniture is shown in another building; Union Carbide and Carbon Corporation is represented by a subsidiary that is selling Columbia dry cells, batteries and other specialties throughout England and the Continent; Texas Oil; Ingersoll Watch Co.; Wayne Tank and Pump Co.; Linotype and Machinery, Ltd.; British Thomson-Houston; Western Electric Co., Ltd.; Armour & Co., Ltd.; F. W. Woolworth & Co., Ltd.; Enamelled

Metal Products Corp., Ltd.; Dennison Manufacturing Co., Ltd.; Kodak Ltd.; A. C. Gilbert Co., manufacturing "Polar Cub" fans, heaters, etc., all have their active organizations. We have Bush House with its Greek architecture and noble inscription: "This building is dedicated to the friendship of the English-speaking peoples." Here we find the offices of the United States Shipping Board, the Guaranty Trust Company of New York, the Equitable Trust Company of New York, and many other famous organizations, all branches of American concerns, many of them owning factories in England, and, like other American business interests, employing large numbers of people and advertising their goods lavishly. The number of American concerns which have gained a foothold in British markets and organized subsidiaries in that country has increased some 40 per cent. since 1914, according to a recent estimate, and the American products seen and sold in London shops are innumerable. Things unknown in England a decade ago, such as ice cream soda and chewing gum, are now common incidents of life, and American fiction magazines are steadily gaining in popularity, in the East-End of London, peddlers pasting new covers on well-thumbed back numbers and finding a ready sale at reduced prices. Shaftesbury Avenue, London, is jocularly called "New York Avenue," for recently out of seven theatres lining its way six were presenting American plays.

When King George recently visited the British Industries Fair and inspected an exhibit of British typewriters, he was shocked to learn that American machines were used in the British government departments. "It's scandalous!" exclaimed the king. His Majesty was also told that weekly imports of American machines were very large. A few days before the same subject had been discussed in the House of Commons, and an official of the Treasury Department stated that "preference would be given British typewriters when British firms produced machines equaling the efficiency of

American makes. The best typewriting machines are of American make."

Advertising of American products has become widely general, and is bringing large sums into the coffers of the British periodical and daily press. Nationally advertised American products are rapidly becoming known in most British households, and a check of periodicals issued by only one of the British publishing groups shows the following well-known American names: Pro-phy-lac-tic, Carter's Pills, Pepsodent, Ford Cars, Anglo-American Oil Co., J. B. Williams Co., Palmolive Soap, United States Rubber Co., United States Lines, Sun-Maid Raisins, Dodge Cars, Mothersill's Remedy, Hoover, Forhans, Grape Nuts, Instant Postum, Shredded Wheat, Miller's Musterole, Paige-Jewett Cars, Packard Cars, Overland Cars, Nujol, O-Cedar Mop, Quaker Oats, Underwood Typewriter, Corona Typewriter, Gillette Safety Razor, Remington Typewriter, Alkia Saltrates, Tokalon, Auto Strop Razor, Ever-Sharp Pencil, Ever Ready Pencil, Exide Batteries, Ever Ready Batteries, "Polar Cub" Fans, Gilbert Toys, Danderine, Blue Jay Corn Plaster, Cutex, Dr. Williams' Pink Pills, Euthymol, Kodak, Wrigley's Chewing Gum, Pompeian Toilet Products, Rexall and Men-men's Toilet Powder.

In another part of the British Empire, American influence has long been marked. A correspondent of the London *Economist* says that "the visitor to Canada will before long inevitably find himself noting the cases where one or the other influence (British or American) predominates. In such a list America leads on all material points. Canada does her buying and selling in dollars—not in pounds. Her press in style, in format and in news is American. She plays baseball, not cricket. In the drama, in the 'pictures,' in literature, in magazines and periodicals which flood the book-stalls she is American, not British. The same is true of her trains and time-tables, her idioms and forms of speech, her

club life, men's dress and ladies' fashions. Even her trade unions are affiliated with the American Brotherhoods."

This influence and the one we have just noticed in England is not restricted to these two countries, but is growing in most countries of the world. American selling and American advertising are creating for themselves a place distinctive. An English manufacturer told me a short time ago that every time he came to this country he was impressed with the peculiar force of American salesmanship. Our salesmen "are persistent and dogged in their endeavor; they have their story logically and clearly worked out, and yesterday I sat for one solid hour listening to an American salesman talk, and after it was all over I could not pick out a phrase that was not sound." If the American salesman with his hat on the back of his head and a cigar in his mouth was ever a type, he is rapidly disappearing. In his place are stepping a group of men scientifically trained, provided with the arms of their craft and with an impelling newness of view and exhaustless optimism. The *London Times* declares that no one could consider the proceedings of the advertising convention, a little over a year ago at Wembley, "without realizing that the scientific side of salesmanship in the careful study of markets, the use of statistical analysis and the consideration of human problems, has been carried to a far greater length in America than in these islands. There are still too many firms in Great Britain that are content to regard advertising solely as an expense, and who make no effort to coordinate their selling policy with judicious advertising. Some firms leave the whole matter to a single director who has made no special study of it; others have no settled policy." One needs only glance through the American bibliography on selling to appreciate this statement of the *Times*. For every English title we have a dozen, and the breadth and intensive analysis of our work is not approached in any country of the world.

We do not, however, keep our knowledge of selling and

our analytical work merely for home consumption. American methods and system are being inculcated in every country of the world, and an intimate part of the foreign work of many exporters consists in showing their customers beyond seas how to conduct their business along sound lines and how, consequently, to make money or more money. Large sums are being spent annually in this work, which takes the form of printed material, or is carried forward by correspondence, or advice and counsel, of selling representatives and high officials of American houses.

Treated in this country as an intimate part of selling, American advertising methods are winning rapid and world-wide recognition and the advertising convention at Wembley clearly showed, by contrast, the great advance in the science of advertising which has been recorded in the United States. The *Manchester Guardian* tells us that "we hear a lot these days about advertising Manchester or Manchester goods. How is it to be done? Can we increase trade by boosting the city or the goods? If we are to try, we must not ignore American precedents, for America undoubtedly knows much more about the art of advertising than we do."

American advertising methods and typography are pushing their way through the markets of the world. Great foreign newspapers are employing American advertising men, and foreign advertising agencies are being established along American lines. I have known expensive American goods to dominate a cheap foreign market as a result of American advertising, and our knowledge of foreign advertising media and needs has been subjected to close analysis by many organizations, advertising, government and commercial, in this country. But it is not alone the technique of American methods that is prevailing. It is above all the spirit of this advertising, which holds for honesty and square dealing, and which, as a rule, is known to be representative of the goods advertised. From a multitude, I take the following adver-

tisement of pneumatic tools, from a copy of the *Review of the River Plate*, of Buenos Aires:

"Look upon this name as a guarantee of the merit of every product upon which it appears. It is the Company's pledge that into every tool and machine which bears it, have been put design, materials and workmanship of the highest character possible through scientific engineering and modern production practice. It is the Company's signature to an unreserved endorsement of the equipment for the use intended. It is the sign of the One Policy, One Quality, *One Conscience*, which dominate the manufacture of all Chicago pneumatic products."

This is the spirit that American advertising is sending abroad, and the spirit is clear today in many of the languages of the world. In our foreign work we are carrying into practice the same principles we use at home, and advertising is an intimate part of that work. The typography of many widely known foreign publications is being moulded by American advertising, and the frankness and honesty of this advertising is being used as a guide. Particularly in Latin-America is American advertising looked upon as standard, and I am frequently asked by South Americans to recommend books on advertising from that rich library which has been developed in this country and which, as our library of sales literature, has nothing approaching it in any other country.

CHAPTER VIII

OUR MONEY GOES ABROAD

Conditions in England regarding American branch factories, selling organizations and advertising, are typical of many countries of the world. For a variety of reasons, strategic and economic, the American factory, branch house or representative has become a part of the national economy of many states, employing native help, paying taxes to foreign governments, and, most important of all, serving as an example of efficiency and modern business methods for many conservative and primitive countries of the world. The effect of this latter influence in Latin-America has been particularly emphatic and productive.

Our control of industrial establishments in Canada is notable, and this fluctuates from absolute ownership to a majority-share control. In consequence there is considerable variation in the statistical showing, the most recent summary for entire control showing about \$400,000,000 of American money involved, with some 680 firms, employing 87,000 persons, distributing \$95,700,000 annually in wages and with a production valued at \$600,000,000 a year. The total amount of American money, however, devoted to industry is estimated at about \$800,000,000, and the number of factories in which we have a controlling or a substantial interest has increased from 200 before the war to some 1,200 at present. The Canadian Bureau of Statistics estimates that 31 per cent. of Canadian factories are owned by us, 58 per cent. by Canadians and 10 per cent. by British. Furthermore, many manufacturing enterprises originally established by American capital have been purchased by Canadian interests.

American branch establishments, factories, and representation abroad are present in every range and degree of business activity. The F. W. Woolworth Co. has stores in Havana, and 213 stores in the British Isles; Schulte Retail Stores are building shops in London and Paris and will gradually create a European chain; Ford has factories and assembling plants in Canada, Santiago (Chile), Antwerp, Stockholm, Port Elizabeth (South Africa), Australia, and so on; Victor Talking Machine Company makes its product in Canada, Italy, India and the Argentine; International Western Electric Co. (now the International Standard Electric Corporation) has factories and stocks in London, Antwerp, Paris, Madrid, Oslo, Milan, Sydney and Buenos Aires; the International General Electric Company has branches or factories in Argentina, Brazil, Mexico, Cuba, Australia and many other points, as well as controlling producing and selling organizations throughout the world; National Cash Register Company has a plant in Berlin, and fifteen subsidiary companies operating in Argentina, Cuba, Porto Rico, Australia, New Zealand, Austria, Belgium and other parts of the world; Corn Products Refining Company has plants in Germany, France and England; William Wrigley Jr. Company has a modern factory at Frankfort, Germany, and is building another in London; Swift, Armour, Wilson, and other big packing interests operate branch plants in South America, New Zealand and Australia; United Shoe Machinery Company has factories in Germany, France, England and other countries; the Singer Sewing Machine Company has plants in Scotland and Germany, and stocks throughout the world. Practically every commercial country has its equipment of American plants.

One can only suggest the variety of these enterprises, for if we include representatives, branch houses, assembling and manufacturing plants, the list is overwhelming. Abroad we are stocking, manufacturing and selling with resident representatives a list of commodities as wide as commerce

is wide; we are merchandising through retail and wholesale stores, through branch and agency stocks; we are selling chewing gum and locomotives, dye products and tractors, hosiery and printing presses, automobiles and cameras, safety razors and machine tools. Direct shipments from the United States, by innumerable small as well as large concerns, go to swell an ever-rising tide. Throughout the great and small cities to the north, south, east and west, the American foreign trader is working, fighting his way and gaining slowly but surely. For he has value to sell and conscience in the selling.

Some ten years ago I sat at lunch with the head of an investment house. "If I were in your business," I ventured, "I would open a department for the study of foreign issues and foreign investments. I believe the time will come when we shall have foreign security listings in New York, as long as those of Paris and London. "Useless," said the banker. "You cannot interest the American public in foreign issues."

In 1913 our foreign investments amounted to \$2,625,000,000, and we were indebted to foreign nations to the extent of \$5,000,000,000. On the New York Stock Exchange the total number of foreign government and municipal obligations was less than a dozen, and the total annual turnover in foreign securities was hardly \$2,000,000. Today we have paid back a large part of our debts, and we have total investments abroad of approximately \$11,500,000,000, exclusive of political debts amounting to \$12,000,000,000, according to *Moody* compilations. Our investments cover practically every civilized country of the world, and listings of foreign government and municipal bonds on the New York Stock Exchange Jan. 1, 1926, amounted to \$3,381,630,000, a gain of \$431,179,000 in one year. There were 121 different issues. Financial experts in Washington figure that foreign states, municipalities, and so on, will absorb more than \$1,000,000,000 annually for a good many years; private investors will send out \$250,000,000 or more, for the support

of oil, mining, rubber and other raw material and manufacturing projects. Millions will be spent by American banking houses in buying into German and foreign banking houses, while other millions will be disbursed by American concerns in establishing foreign plants and distributing organizations. In Germany alone we are putting enough money to take care of present reparation payments of 100,000,000 marks a month. All of this means increased exports, temporary in the case of credits established for foreign interests which they use in part to purchase raw materials, foodstuffs and manufactured goods, permanent where credits go abroad for factories and industries established by American concerns, or where American equipment becomes standard in a plant belonging to foreign interests. In a good many cases, for example, Chile, Mexico and Canada, a large portion of our exports represents purchases by American interests abroad. This is in harmony with England's experience.

Bewildering indeed is the variety of public issues which represent our foreign commitments: municipal, government and state loans, railroads, banks, churches, power companies, mines, factories, agriculture, loans for stabilizing currencies, for creating a new state as in the case of Germany, for preventing exchange raids as in the case of France, steamships and every form of human economic activity for which money is needed by those at the head of affairs. This money will remain, in most part, permanently abroad. Those who desire may sell their stocks and bonds to others, through the medium of the stock exchanges, but as the bonds of the Pennsylvania and the New York Central railroads are permanent so our foreign capital advances will be permanent.

During the past six years, public utility and corporate enterprises operating in this country have added to their rolls more than 3,500,000 stockholders, including 500,000 employees, 1,000,000 customers and 2,000,000 from the general public. Since that date there has been an increase of at

least 2,500,000 bondholders, and some 1,800,000 farmers have become financially interested in cooperative buying and selling. During the same period more than 28,000,000 savings accounts have been opened and savings deposits have doubled. Savings banks deposits increased from \$14,672,000,000 in 1920, to \$23,134,000,000 in 1925; life insurance in force from \$33,091,000,000 in 1920, to \$72,000,000,000 in 1925; wages and salaries from \$32,000,000,000 in 1918, to \$40,000,000,000 in 1925; in 1926 we shall spend more than \$1,000,000,000 on rural highways. At the close of 1925, twenty industrial corporations alone had cash and investments of \$1,190,015,000. American Telephone & Telegraph, in 1925, had net earnings of more than \$107,000,000; General Motors, \$106,000,000; Ford Motor Company, \$115,000,000; United States Steel Corporation, \$90,000,000; Pennsylvania Railroad, \$62,000,000; Standard Oil of Indiana, \$52,000,000; New York Central Railroad, \$48,000,000; Texas Company, \$40,000,000; General Electric, \$38,000,000; F. W. Woolworth Company, \$25,000,000, and so on through a long list. There were 94 corporations that earned \$10,000,000 or more during 1925.

Formerly security issues went chiefly into these strong boxes, but now they pass into the hands of an army of small investors throughout the country. We are in particular good shape for this flood of foreign securities, and they are teaching our people international relations as nothing else could do. Today it is not a question of foreign governments and business enterprises coming to our doors for money. American banking groups are actively competing with each other abroad. The struggle has been transferred from the creditor's to the debtor's country. The idea of the Hundred Million Dollar "Foreign Trade Financing Corporation" that could not be floated in 1920, although backed by the American Bankers Association, is now being developed in many different directions. We have investment trusts resting on both foreign and domestic securities, and as time goes on

these plans for spreading investment risks will grow increasingly popular. Again we are following the line laid down in former practice by Europe.

In addition to the flow of money abroad originating in public sales of securities, there is an equally steady outgo of millions from private enterprise which satisfies the needs of that same enterprise in some foreign country. For example, we have investments of \$4,000,000,000 in Latin America, of which public securities amount to \$610,000,000 and industries \$3,150,000,000. We have nearly \$1,500,000,000 in Cuba, the greater portion in sugar mills and sugar plantations; \$30,000,000 of American money is in Bolivian tin mines, \$30,000,000 in Chilean nitrate fields, \$300,000,000 in Chilean copper; we have \$80,000,000 invested in Argentinian packing plants, \$35,000,000 in Brazilian packing plants, \$1,000,000,000 in Mexico, more than \$190,000,000 in Peru, other millions in banana plantations of Central America, and still more millions in petroleum fields of South American states. Millions of the future will go the way of our former millions and into new and old things: rubber, minerals, power companies, railroads, and so on. With this list before us it cannot be said that we have neglected our future need of raw materials. As industry's demands increase these raw materials will be augmented, for the wages of money are just as clearly defined as those of the carpenter, the plumber and the plasterer. European owned cables in Latin-American waters now total some 25,000 miles, slightly less than the pre-war figure. American mileage has increased from 14,000 pre-war to 34,000 at present. For the first time in history wire communication, without relay, was recently established between Mexico and the United States. We now have a service with Mexico City, identical in all respects (day-letter, night-letter and so on) with that in the United States. There are listed today on the New York Stock Exchange \$2,000,000,000 of Latin American securities, exclusive of Mexican issues.

We have \$3,000,000,000 invested in Canada, in government and railroad bonds and in such varied enterprises as lumber, pulp and paper, central electric stations, meat packing, copper smelting, rubber goods, shipbuilding, drugs and chemicals, fish canning and curing, patent medicines, automobiles and accessories, asbestos mining, artificial abrasives, petroleum, copper, gold mining and so on. Millions are going to Italy, France, Germany and Central Europe as investments in industrial enterprises. Concerns like the General Electric and DuPont have purchased large interests in many allied concerns throughout the world; we have millions in rubber plantations in the Dutch East Indies; large sums in manganese mines in Brazil, and growing investments in China and Japan. In 1925, England had \$140,000,000 for investment abroad, against \$900,000,000 in 1913. There can be no doubt as to where the money for foreign investments during a long future will be sought.

With the most liberal view possible, however, one cannot help suspecting that in the matter of foreign loans we have, up to the present, been a little too liberal. Other nations have stipulated that where loans are floated for the purpose of purchasing commodities, the money shall be spent in the lending country, or this has been brought about. We might well study foreign example. Whatever merit there may be in the theory of triangular payments, that the dollar can only be used in the United States, that eventually our money will come back to us with orders for goods, the fact is that our loans can be disbursed, in part at least, in a good many ways, other than in the purchase of goods, as bankers well know.

CHAPTER IX

OUR PIONEERING ENGINEERS

British engineers have been one of the most important elements in the development of foreign trade for their country. Services rendered foreign states and enterprises and the extension of British organizations abroad, have all gone to create a demand for British products, a demand which has been the cause of increasing exports of British manufactures as these enterprises have expanded and as the use of British machinery and supplies has grown in popularity, as a result of the introduction of such things into a given market. The experience of England is being duplicated in this country.

When Secretary of the Navy Whitney stated in his report, in 1886, that although \$75,000,000 had been spent on the navy between 1868 and 1886, the money had been virtually thrown away, he, unfortunately, had the weight of evidence on his side. "It is questionable," said Mr. Whitney, "whether we have a single naval vessel finished and afloat at the present time that could encounter the ships of an important power—a single vessel that has either the necessary armor for protection, speed for escape, or weapons for defense."

As a result of this statement a bill was passed providing for the building of a battle-ship, the *Texas*, an armored cruiser, the *Maine*, and a protected cruiser, the *Baltimore*. But in order to build the ships we had to purchase the plans for two of them from a foreign power. For a number of years thereafter our domestic engineering problems were solved for us in part by foreign engineers, but today we

have freed ourselves from such tutelage and, as in the case of our financial, agricultural, mining and other experts, many countries of the world are calling on us for engineering assistance. As a result, a large tonnage of American products is moving abroad. It is true that in certain parts of the world American engineering work was known in the past, notably on the west coast of South America, but these cases were too infrequent to develop a trend.

Our engineering activities are as broad as the world. From Persia comes the news that the Persian Ministry of Public Works proposes to engage four American specialists to draw up plans for a big scheme of railroad construction, which will link Teheran with all Persian frontier stations and seaports, the initial cost of engaging experts to be \$300,000. When the plans have been drawn up tenders will be invited for construction and equipment. Two American engineers sailed for Australia in February, to make a survey of the electric power resources of the country, and to place at the service of Australia the benefit of America's electric experience. Sir James Elder, Commissioner for Australia to the United States, said that "because our government believes that the United States is far ahead of other nations in backing up its man power with horsepower, we came to America for the men best qualified to tell us how to develop electric plants and how to use them." An American organization, the J. G. White Engineering Corporation, is to design and supervise the construction of an irrigation system on which the Mexican government will spend \$20,000,000 during the next three years, for the irrigation of 5,000,000 acres. In the Far East we are putting up fireproof buildings, constructing docks, railroads and so on, one American company alone, The Foundation Company and The Foundation Company (foreign) being engaged in active operations, running into millions, in many countries of the world. A recent advertisement of the latter organization showed under way a power station in England, a highway in Peru, the Louvain

Library in Belgium, piers for the Sumida River bridge in Japan and the Immer factory and housing in France.

The engineering work of Dr. Frederick S. Pearson, an American, is classic, and although he lost his life on the *Lusitania*, his accomplishment in Brazil and in Spain remain an immortal monument. Dr. Pearson gave Rio de Janeiro heat, light, power and telephonic communication, the Rio de Janeiro Tramway, Light and Power Company, Ltd., having over 257 miles of tramway, nearly 80,000 telephones in operation and a long-distance system extending throughout the country. A New York loan of \$12,000,000 is enabling another American firm to raze Castle Hill at Rio, and in other parts of Brazil we find the movement Dr. Pearson started carried on by interests identified with his name and by other engineering concerns. With the proceeds of New York loans the Foundation Company is completing a vast work of sanitation in Peru, at Lima, Cuzco, Ayacucho and Arequipa. This job includes new water, sewage and paving systems, irrigation projects and so on. Callao is soon to have a new \$10,000,000 dock system, constructed by C. L. Chester, of New York. This work, which includes operation of the docks for twenty-five years, has been interrupted by the Tacna-Arica incident, but the delay is only temporary.

The work of Ulen & Company of New York, in Latin America and other parts of the world, has been especially notable. Some years ago this firm built water works and sewer systems for five cities in Uruguay; they have executed similar contracts for La Paz and Cochabamba, Bolivia; recently they completed the installation of a sewer system for the city of Maranhao, Brazil, and are now putting in water and sewer systems for the city of Bogotá, Colombia, and a number of cities in Poland. They are also rehabilitating the water supply systems of Athens and Piræus, which will make necessary the construction of a great aqueduct. This firm has built for the Bolivian government 123 miles of railroad, connecting the railway system of Bolivia with that of

Argentina, and making it possible to travel by rail from the city of La Paz to Buenos Aires.

In San Salvador, the capital of the Republic of Salvador, R. W. Hebard & Company are putting in water works, a sewage system and paving the streets, this firm having previously done important work in Panama. Nolan & Company are cutting great boulevards through Buenos Aires, which remind one of Paris during the time of the third Napoleon. The International Railways of Central America, an American concern, is building a line to connect its system in Salvador with that of Guatemala, which means a direct line from the Pacific coast of Salvador to the Atlantic seaboard. The J. G. White Engineering Corporation changed the port of Guayaquil, Ecuador, from a fever-stricken place to one of the healthiest spots in the tropics. The United Fruit Company has constructed fine docks at many Caribbean ports, built cities, and has erected hospitals, that are the pride of Central America.

In addition to the strictly engineering work done under contract, the work of the United Fruit Company suggests the vast engineering developments carried out by the Chile Copper Company, Braden Copper Company, Andes Copper Mining Company, Cerro de Pasco Company, Bethlehem Chile Iron Mines Company, Vanadium Company, Caracoles Tin Company, Northern Peruvian Smelting & Refining Company, and so on. Truly the spirit that built the Panama Canal, rid Havana and Panama of yellow fever, the spirit of William Wheelright, who built the first railways in Chile and Argentina, of Henry Meiggs, who later undertook that prodigious enterprise, the Central Railroad of Peru, is carrying on.

A few years ago the devastating floods of centuries were stopped by the work of American engineers on the Yellow River in China, and only a short time ago The Foundation Company (foreign) secured a \$27,000,000 contract for the drainage and irrigation of the Saloniki Plain, which will be

one of the most important economic events in the history of modern Greece. A great handicap for Greece has been inadequate food supply, as only about one-fifth of its 50,000 square miles of territory is cultivable, and fully three-fifths consists of barren hills and mountains, a handicap which has increased in magnitude as a result of the influx of 1,250,000 refugees from Turkey. The American engineers will be called on to irrigate and drain the Saloniki Plain, approximately 800 square miles in extent, 300 square miles consisting of swamps and great shallow lakes absolutely useless to-day. The work will require five and one-half years, will mean the controlling of rivers and draining of lakes, employment of 5,000 men, construction of great warehouses to take care of the new products and establishment of model agricultural and cattle-breeding stations.

Out of this great array of engineering activity abroad, a particularly interesting case is that of the construction of the library for the American School of Classical Studies at Athens. This is known as the Gennadeion and was built by the Carnegie Corporation, but its effect on American foreign trade will be no less potent. Mr. W. Stuart Thompson, of the firm of Van Pelt & Thompson, New York, the architects, went to Athens to start construction, but he was compelled to remain two years, as every detail had to be supervised. To quarry the marble 1,000 men were employed, and it was necessary to teach Greek workmen American construction methods in order to carry out the plans. Mr. Thompson states that "the thing that caused great interest among the builders and architects of Athens was our method of building from the inside toward the outside, thus saving exterior scaffolding; the use of hoists, derricks and concrete mixing machines, and the routing of materials to workmen, so as to keep them constantly supplied with materials. In Athens a stone worker, for instance, normally drops work for two hours a day to go for his materials. We kept him supplied

constantly by hoists. Six or seven per cent. of the labor cost was furnished in this way.

"The Greek government took cognizance of this, made a study of the work, and is planning to use American methods in the great housing works which Greece must soon undertake to provide for the large surplus of population."

Comment is superfluous, in a case of this kind, on the effect of American engineering work abroad as affecting American foreign trade.

CHAPTER X

EXAMPLES OF ACTUAL PRACTICE

A little over a year ago the King of Spain signed a decree authorizing the execution of a contract with the *Compañía Telefónica Nacional de España*, organized by the International Telephone and Telegraph Corporation, for the construction and operation of a general telephone system throughout Spain. The American company has obtained a strong foothold in France through the acquisition of a substantial block of stock of the *Compagnie des Téléphones Thompson-Houston*, is increasing its interest in Mexico and has long years of constructive development back of it in Cuba and Porto Rico. The company will doubtless take over other European and Latin-American systems during coming years and will develop international service.

The American organization is a welcome factor in the economic life of Europe, due particularly to the poor telephone service furnished by the different governments, in many sections the telegraph being a better means of communication than the telephone. In the United States today there are 148 persons for every 100 in 1900, and for every 100 telephones at the end of 1900 there are now 1,194. The telephone has increased nearly 1,100 per cent. and population 48 per cent. In Europe no such development has taken place. By its recent acquisition of the International Western Electric Company (now the International Standard Electric Corporation), the International Telephone and Telegraph Corporation has greatly strengthened its position, as the former organization has a network of controlled and affiliated companies in many countries of the world. It owns the

Examples of Actual Practice

Bell Telephone Manufacturing Company of Antwerp, employing 2,700 persons; the Standard Telephones and Cables, Ltd., of London, with 3,000 employes and branches throughout Great Britain and her colonies; Le Matériel Téléphonique, Paris, which has a factory in Paris and cares for France and her colonies; the Western Electric Italiana, owning a factory in Milan and serving Italy and her colonies; the Standard Electric Aktieselskap, Christiania, selling telephone equipment throughout Norway, Sweden, Denmark and Finland; Teléfonos Bell, S. A., the main office of which is in Madrid and the factory at Barcelona; Standard Telephones and Cables (Australasia), Ltd.; Compañía Standard Electric Argentina; a large interest in Nippon Denki Kabushiki Kaisha, which has a factory at Tokio, and in the China Electric Company, Ltd., with its head office at Peking. The International Standard Electric Corporation has lesser interests and contractual relations with numerous other foreign companies, and is representative of the work being done by a number of large American concerns. This is one way in which we overcome foreign competition by giving service and producing mechanism that is not competitive with anything existing.

The European business of the Eastman Kodak Company, as a result of the work of Kodak, Ltd., the British subsidiary of the American company, has reached the level it would have attained had the pre-war annual increase been unbroken. British, French and Italian markets are absorbed from 75 to 90 per cent., and plans are being worked out for the German market. A factory is maintained at Harrow, England, and another at Vacz, near Budapest. Competition is keen; there are 15 firms in England manufacturing general photographic goods in the same field with Kodak, Ltd., while in Germany, there are 40. Those having a turnover, however, anywhere near 1914 consider themselves fortunate, but every London clerk has a little Brownie when he goes for a Sunday swim at Brighton, and German tourists going to

Italy usually make a Kodak their first purchase. In cheap cameras Eastman has no serious competitor.

Selfridge & Co., of London, a department store owned by an American and conducted along American lines, is now doing an annual business of more than \$25,000,000, gross. "It was uphill work," said Mr. Selfridge a short time ago, "for several years to win the British public to American department store methods, but now the battle is won. London twenty years ago was just a big town, an agglomeration of thirty-seven small towns, each with its own board of aldermen and small town methods. There were only two stores in London which could be regarded as more than small shops. Education in this field went slowly. People, especially our competitors in the department store business, resented new ideas. Above all they disapproved of American methods of advertising. But this is changing now. The English people welcome any new idea and are alert to American ways of doing business."

Mr. Selfridge is credited with educating the English public to American department store methods. His competitors have one by one moved out of old-fashioned buildings, packed to the roof with goods, and have built more spacious quarters with their counters somewhat cleared for business. Mr. Selfridge, with his stores in half a dozen cities besides London, has also educated the public in the acceptance of standardized goods, thereby proving the inaccuracy of the statement that the foreigner will never accept standardized articles and that our method of production is a serious handicap abroad.

Every six months there takes place in Buenos Aires an examination conducted by the Singer Embroidery Academies of Buenos Aires, which is a most interesting example of the creation of a demand for an American product. Efforts to organize the instruction of art needlework by sewing machines were commenced some nine years ago, but they met with the obstacle that women of Argentina, like those

of all Latin countries, do not take kindly to innovations or to collective discipline. They have a marked love for the beautiful and are skillful at needlework, but their needlework was done by hand and every convent taught it. Gradually, however, progress was made, a teaching organization came into existence, textbooks were produced and instruction was reduced to a scientific basis. Today every purchaser of a treadle family machine has the right to receive 25 gratuitous lessons, and careful inspection is given the work done. Every grade "B" and grade "C" shop throughout the country has its academy; there are sub-academies in less important towns, some 350 in all, through which about 29,000 pupils passed in 1924. The half-yearly examinations, however, are confined to Buenos Aires and a few large interior towns.

Some pupils after completing the gratuitous instruction desire to continue the work, and there is a high school where they take second, third and fourth courses, at a monthly charge of \$4 for three lessons a week of two hours each. Finally there is a normal school where young women are trained to teach in the academies. At the examinations the pupils are rewarded with certificates, prizes, special mentions and honorable mentions. In a statement made about a year ago, the Singer Company said that during the past four years their charges to profit and loss were under six cents per open account per year; reverts, four per thousand sales, while at the end of 1923, of nearly 40,000 open accounts, there were only 140 which were three or more months delinquent. This is a remarkable showing for business almost entirely installment. The outlay for schools and academies is decreasing, and it is hoped that they will soon be self-supporting, although they are not run for profit and they have been large producers of sales.

A year ago the Republic of Salvador in Central America did not have a single linotype machine in operation. The position of newspaper proprietors and others was that they could not afford individually to take the risk of installing a

machine and after importing an operator be at the mercy of this individual. What was needed was a supply of operators which could be drawn on, and at the same time represent a competing force that would keep wages within reason. It was generally agreed that the situation could be met only by government action, for the state could purchase a battery of machines, train a number of operators, and thus create a situation that would be satisfactory. The government was half-persuaded to take the step, but hand composition had been fairly satisfactory in the past and money was needed for many things.

The writer went to Salvador to investigate conditions, and after a short time was successful, in face of competition, in selling the government a full equipment of five linotype machines, a condition of the sale, however, being that we establish a school which would train men and women, and create a supply of workers from which the rest of the country could draw. This was agreed to. The machines were installed and running before the expiration of the contract period, and the idea of the school met with instant favor among the people. A new branch of labor had been opened that promised good remuneration and interesting work. The applicants for admission to the school were greatly in excess of what the instructor could take and it was necessary to choose carefully. The men and women selected passed their period of training and examination with honor, and the printing trade of the country is now working on a completely changed basis. Possibilities with the new equipment are immeasurably greater than with the old methods, and a number of linotypes have been ordered by newspapers and printers now that the operators are to be had.

"The world's best known article of merchandise," has been said of the Gillette safety razor. Selling in all the markets of the world, the company is immune from depression. Gillette depends no longer on patents for its existence, as the original razor and blade patents expired in 1921, but

subsequent expansion of sales exceeded the best gains of previous years. In countries where there has been no patent protection whatever the increase in business is large and steady, and everywhere on the globe the trademark is registered. Gillette believes that foreign business is there, not for the asking, but for the *getting*. Mr. Thomas W. Pelham, General Counsel and Sales Manager of the Gillette Safety Razor Company, tells an interesting story as follows:

"In 1915 Russia needed Gillette razors.

"Turkish forts held the Bosphorus and blocked her Black Sea ports. German mines and submarines barred the way to her Baltic ports, and her ports on the White Sea were ice bound.

"From Malmo, Sweden, on the Sound, the Swedish Railroad runs north some hundreds of miles to Karungi, ten miles from the Arctic Circle. It was over this railroad that I traveled in the early part of 1915 with six tons of razors as personal baggage. Peasants' carts carried the merchandise from Karungi twenty-four miles to Tornea River, the Russian frontier, then ferry boats to the Finnish town of Tornea, and finally, the Finnish railroad carried the goods some hundreds of miles to Petrograd. Later, several tons of goods were sent over the same route by first-class registered mail.

"That is reaching your market.

"In 1916 and 1917 England needed razors. All cargo-space on ships crossing the Atlantic was needed for food-stuffs and munitions of war. Oil tankers were crossing and in the cabins of the captain and crew cargo-space was made available for razors, and thus England's requirements were filled.

"That is supplying your market.

"Then followed the Armistice, the period of inflation, then deflation and depreciated currency. This condition was met by supplying merchandise in our various foreign markets at as near pre-war prices as possible, and yet under such control as to prevent purchase of the goods in one country

where currency was depreciated with subsequent sale in another country whose currency was higher.

"That is holding your market.

"There came too that period when by reason of depreciated currency some of the countries of Europe seemed able to supply goods at a price less than manufacturing costs in the United States. That condition was met by a re-arrangement of our manufacturing problem, by putting up goods in less expensive packages and by mass production, thereby enabling us to put out goods at a lower price than ever before, the result being that instead of having a surplus of factory space, new factories were immediately needed.

"That is meeting competition.

"At one time it seemed sufficient to have only one branch office, viz., in London, and from that point supply Continental Europe and other countries. More intensive study of market conditions led to the establishment of subsidiary companies in all the important countries of Europe and many other countries, and to closer arrangements with exclusive selling agents at all points throughout the world.

"In spite of the fact that in December, 1918, and early in 1919 Europe was in the throes of political unrest, torn with dissension and boundary disputes, the German indemnity, the Turkish situation, Soviet Russia, industrial economic reconstruction, and hundreds of other questions of almost vital importance, we inaugurated extensive plans for selling more Gillette razors and Gillette blades than in any previous years. Subsidiary companies were established in Spain, Italy, Belgium, Holland and Switzerland, in addition to those previously founded in France, Denmark and Germany.

"We, like other large manufacturers, have found recently that although the extent of our distribution in America is vast, a very great proportion of it is concentrated in the hands of a relative few. For instance, with 250,000 retail distributors in America, about 5,000 stores controlled by one hundred and fifty men sell 75% of our output. Recogni-

tion of this fact pointed out the obvious advisability of concentrating sales-efforts upon these one hundred and fifty men with their 5,000 stores. The result was that sales through this intensive work increased in practically every instance anywhere from 50% to 500%. This experience brought out clearly the strength of one of the basic laws of large-scale merchandising, namely: A quantity buyer is a quantity seller; and vice versa.

"Careful study of individual countries and resultant experiments have proved to our satisfaction that the same fundamental principle is not only true but eminently practical. For instance, in Belgium our subsidiary company had on its books over eighteen hundred customers, but investigation showed that twenty of these customers absorbed in Belgium 73% of our product. So in Belgium, as elsewhere, we selected the large dealers in our goods, and concentrated our efforts on them. The figures for one of our leading foreign markets show a sale of 200,000 razors before applying what I may call the principle of intensive concentration. In the following year when this principle had begun to be applied, sales rose to 675,000 razors. This year the sales will run over 2,000,000 razors.

"That, I may call intensive selling.

"Although Europe, after the States, furnished our best foreign markets, our efforts did not stop on that continent. We continued the inauguration of this same plan in Egypt, India, the Dutch East Indies, China, Japan, Australasia, South Africa, Mexico and Central America, Cuba and the Caribbean Islands, and South America, until today we have subsidiary companies or selling agencies in practically every civilized country on the globe.

"That is the development of diversified markets.

"Without first-hand knowledge of foreign countries it is almost impossible to develop the potentialities of foreign markets to their maximum extent. We have never hesitated to send our men into any country in the world to gather this

knowledge and to study carefully the conditions in that particular country. This allows us to lay our plans at least with some degree of intelligence. Four of us have circumnavigated the globe, and there is, I dare say, not a single market on earth with the peculiarities of which some two or three of our organizations are not entirely cognizant."

Quaker Oats is exported to many countries and the export sales show steady advance as the years roll by, but the world has not come and asked for the goods. The company has gone after the world, and the Latin-American story is characteristic of what has been done and could be done for other lines.

Careful investigation of the field showed that Quaker Oats could not be used in Latin America as it is used in this country and in England. The eating habits of the people, with only a morning cup of coffee, do not permit the use of a breakfast food. The real meal is served at about 11 A. M., and an effort to sell a breakfast food would have failed because there is no breakfast. What then could be done? It was finally decided to sell the goods, not as a breakfast food, but as a health food, and today Quaker Oats is so sold, in ever-increasing quantities, to all those who, from infancy to old age, need such a thing. With the habitually heavy meals served in Latin America, the cereal has proved a blessing and is widely prescribed by physicians. Quaker Oats has a wider use in Latin-America than in any country to which it is sent, advertising has been generous and entirely to the consumer, the public has been educated to the use of the cereal and today it is stocked throughout the whole of Latin-America.

Historically speaking foreign trade in American farming machinery is as old as the American agricultural implement industry; that is, about 75 years. The first American reapers were sent to Europe in 1851, or only four years after Cyrus McCormick built his first factory in Chicago. If we speak of volume, however, the export activity began about

1900, shortly after American machines had been exhibited at the Paris Exposition. In 1902 total sales of the International Harvester Company were less than \$10,000,000; in 1912 the sales amounted to nearly \$51,000,000. In its first 14 years, up to and including 1916, the Harvester Company brought back to the United States about \$500,000,000 in payment for agricultural implements and binder twine made by American workmen. In that year there were 36,000 dealers selling Harvester Company products in 38 foreign countries.

This company makes close contact with the consumer its guiding principle. Up to 1900 practically all farming machinery sent abroad was sold through jobbers. Today 85% of the company's trade in foreign countries is handled through its own organization. When American manufacturers first sent their investigators abroad they reported that American agricultural machinery must be sold by American methods, by and under the guidance of American salesmen, accompanied by American-trained mechanical experts, that foreign trade called for the establishment of branch houses, ample stocks of repair parts and long credits to farmers. These conditions were met, and their soundness is proved by the expansion of foreign trade in this line and our dominance of the international market.

A second important principle was that goods and selling methods must be adjusted to the customer's requirements and prejudices. Our manufacturers of agricultural implements have done this. They have built right-hand machines instead of left-hand machines, as used in the United States, because oxen and buffaloes, the farm motive power in many countries, have always been trained to be driven from the left. They have built machines for low cut in order to save the straw in countries where strict economy must be observed. American machines have been built so they could be hauled through the narrow lanes of rural Great Britain, machines of special weight and design are built to be drawn

by cows in Southern Germany and Switzerland. Machines are painted a special color, according to the locality; they are built to suit conditions of soil and crop, the kind of animals used, and the sort of harness the latter carry.

Belgium is the classic land of glass manufacture, but it required the introduction of an American process, the Libbey-Owens, to give new life to the industry. In this process the glass is drawn by mechanical means from a pot connected with the furnace in an endless sheet, bent over a roll into a horizontal position and passed through an oven, 200 feet in length, at the end of which it emerges, perfectly annealed, on to a cutting table ready to be cut into the required lengths. From the furnace to the cutting table the process is continuous and entirely mechanical, the skilled and highly paid labor of gathering, blowing and flattening, incident to the old-fashioned method of window-glass manufacture, being entirely eliminated. In the United States this process is owned by the Libbey-Owens Sheet Glass Company and the European market is being exploited by a controlled Belgian company, the *Compagnie Internationale pour la Fabrication Mécanique du Verre*. The latter concern is establishing plants throughout Europe. As in so many other instances, American invention and methods of production are revolutionising manufacturing processes abroad.

In its monthly report dated January, 1926, the Bank of London and South America Ltd., says that "in common with the rest of the world Argentina is still buying freely of American motor cars. This applies to every grade and description, and it looks as if the day was not far off when horse-drawn traffic in Buenos Aires, small though it is at present, would altogether disappear. The Post Office is about to replace existing carts by motor trucks, the employment of mechanically propelled and actuated cleaning and watering carts is now general, and the delivery vans of the tradesfolk are almost all built on a small motor chassis. As for private cars, some idea may be had of the steady

demand by saying that 90% of a recent shipment of, close on 200 large cars was sold before the carrying steamer reached the Plate. Lavish advertising, stylish well-appointed salesrooms, and all manner of subsidiary services to buyers have put the sellers of the principal American cars in what looks like an unassailable position."

In 1925 our automotive exports gained 44% over 1924, amounting to \$334,461,232, and what is true of Argentina is true of the rest of the world. The international market is dominated by the American product. Exports of automobiles are greater than the purchases of twenty-one of our states; trade amounts to 13.5% of the total United States and Canadian production, and the sales of American motor vehicles abroad in 1925 were equivalent to the entire production of the industry of 1914. Exports in 1925, in value, were first among our shipments of manufactured articles, were exceeded only by unmanufactured cotton and mineral oils, while the prediction is made that in 1930 we shall export 1,000,000 motor vehicles.

A correspondent of the *Manchester Guardian Commercial* says that "German works cannot even obtain the material for a medium quality car at the price at which such cars are being delivered finished to customers in America," and here the British writer touches one of the most essential points in the competitive ability of the American car. It gives more car per dollar than any other country can produce, and it will continue to do this as the potential demand emerges into effective demand. At the Leipsic fair, in March of this year, an army of American cars was on hand, but not a single one of German make. Throughout the world highways are being constructed rapidly and this means increasing demand for automobiles. Indeed the foreign demand has hardly been scratched. China has a population of 400,000,000 people, and with \$10,000,000 invested in highways, at about \$10,000 per mile, we should open a market for some \$1,000,000,000 worth of cars. Europe is hardly

touched; the Balkan states are almost virgin territory, and some day Russia will enter the ranks again with a demand of its 150,000,000 people for automotive products.

The American manufacturer is not resting on his oars, for he knows that business gives no quarter and that there are many competitors looking for every manufacturer's trade. Consequently new methods of financing, better selling methods, cheaper laid-down cost, help to distributors and many other things are being taken care of. Europeans, on the other hand, are not idle. Efforts to produce an export car are strong in Great Britain, France, Germany and Italy, and it will be interesting to see if, for example, Great Britain can develop mass production in automobiles, based on world trade, as she has done in the case of textiles.

One of the outstanding examples of organized foreign selling is that of the United States Steel Products Company. With agencies in all countries, frequently a number in one country, warehouses throughout the world and fleets of steamers, this company in a little more than 20 years has grown into an organization that can well be taken as the prototype of the well-rounded, carefully organized and intelligently developed export concern. The managers of the many different foreign offices are for the most part Americans trained in the United States, and speaking fluently the one or more languages their duties make necessary.

In all steel products the company is doing business throughout the world, constructing buildings and bridges, sending its erectors where needed, and manufacturing goods such as the different countries of the world demand, with certain of its mills devoted entirely to foreign business. Weights and measures used are those of the country from which the order comes, and the currency is that of the market where the business is done. Large catalogues are issued in foreign languages, exhaustive studies of markets are being carried on constantly by the company's organization, and correspondence from the New York office is in

practically all the languages of the world. And let it be remembered that when the United States Steel Products Company began business it entered markets dominated by foreign interests that had been intrenching themselves for many years. Analogous work to that of the steel company is being conducted by some of our oil companies, big machinery manufacturers, and so on.

In things artistic the European has, up to a recent past, not ranked us very high, and for this reason European producers of motion picture films at one time considered their position secure, particularly in view of the low wages for which untrained workers could be obtained. But the European failed to consider that success in the motion picture business is equally one of understanding public psychology, and in this matter the American is expert.

There is no foreign country of any size where our films are not exhibited today, and in some countries we control over 90% of the showings. In the United Kingdom 90% of the films are American, France more than 75%, Germany some 80%, and the Scandinavian countries nearly 80%. In Latin-America the proportion is about the same, which is true also for the Far East. In Australia more than 90% of the pictures are American, and Canada is a duplicate of our own market.

In 1913, our exports of films were about 32,000,000 linear feet, valued at some \$2,250,000. The war stopped European production and gave great impetus to our motion-picture industry, but even after the slump of 1921 it was found that over 140,000,000 linear feet of film, valued at \$6,500,000, had been sent abroad during the year. In 1923 there were 8,200,000 feet of negatives, valued at about \$990,000, and 138,000,000 feet of positives, valued at \$5,400,000, exported, while in 1925 there were 225,000,000 feet of positives sent abroad. Europe is our leading market, with Latin-America next and the Far East third. The statistical position, however, does not indicate the value of this trade. For example,

government figures for 1924 show the value of our film exports as under \$9,000,000, although the gross revenue to the producers of these films is estimated as at least \$75,000,000. This revenue develops after the film is exported and shown, and is not possible to estimate in the invoice value.

Our trade in motion picture films has grown with little or no competition. England, France, Germany and Italy are producers, but the scarcity of theaters for display purposes—4,000 in England, 2,500 in France, 3,700 in Germany, 2,000 in Italy—compared with 15,000 in the United States, has compelled European production cost to be kept very low compared with that of films produced in this country. In certain cases, however, foreign producers are now trying to get some form of state action which will hamper the American imports, although the success of good merchandise offered at a fair price will probably win out here as in other cases.

In order to improve exhibition conditions, the Famous Players-Lasky Corp. is constructing a chain of theaters in England and the Continent, and four large buildings, with seating capacity from 2,500 to 3,500, are now being built. One theater in London has been completed, another started; one is being constructed in Paris, and another will soon be started in Brussels. It is very probable that these buildings will have great influence on future construction of European theaters, a change to the well-ventilated, open American building as against the stuffy, congested European structure being most desirable. Recently representatives of the Famous Players-Lasky, the Metro-Goldwyn Company and the Universum Film-Aktiengesellschaft, of Berlin, signed an agreement by the terms of which the German market is shared with the American group. However, the American motion picture producers have been actively extending their work abroad for some time, and today operate a network of branch offices covering practically every foreign territory,

although business so far, based on population, is only about 20 per cent. developed.

The export manager of one of the largest motion picture concerns recently said that he attributed "the success of American pictures abroad to two reasons: First, the international character of our pictures, and second, to advertising and exploitation. By international in character I do not mean that pictures are made with any view to a foreign market; on the contrary, the foreign requirements are seldom considered. But our pictures are made from stories, plays or books which are likely to, and which do, appeal to people of all nations and classes. We have introduced with little change the American methods of advertising by concentrating on the trade-mark as well as individual outstanding productions. Each contract for the exhibition of a picture makes full provision for an advertising campaign, thus practically insuring the engagement.

"In the key cities we have even taken over the operation of the larger theaters in order to set an example of proper showmanship to the trade, and have used such theaters as a show window for our pictures. We are today building a million dollar theater in London, which we hope will set an example as well as act as an incentive to the British theater owners to extend their own building operations. So far as competition is concerned we have little or none from foreign products. The chief competitors are the various American distributors."

The product of the Fuller Brush Company is very largely sold in the United States and Canada by house-to-house salesmen, and with success behind them in these two markets the company recently entered the Cuban field. The experiment was to prove or disprove the theory that methods used in the American market could be bodily transplanted to foreign markets. This first step has been a complete success. The plan was entirely acceptable to the Cuban public, sales have been satisfactory and advertising has been splen-

didly productive. There are branches in Habana and in several Cuban cities, and it is planned to develop the same method in New Zealand. There is much in this work that could be considered by that rapidly growing trade in the United States that rests on house-to-house selling, and a leaf may be taken, at some time in the future, from the book of the Fuller Brush Company by makers of silk hosiery and other goods.

The manufacture of chewing gum in this country goes back as far as 1860. An inventor, while trying to vulcanize the sap of the sapota tree for use as a rubber substitute, discovered the similarity of chicle to spruce and cherry gums, the principle chewing gums of that day. The original industry began with an investment of \$55, and, according to the census of 1919, in that year we had 62 establishments producing goods valued at \$51,240,156. The foreign trade in this commodity does not interest so much because of large volume; but it is a striking example of the creation of a habit in spite of prejudice against it, this habit being the necessary antecedent to sales.

Gum chewing today is a rapidly extending habit throughout the world. It has begun to displace the immemorial custom of betel-nut chewing in Ceylon, India, Burma and the Straits Settlements, and its use is becoming very general in China and Japan. Prior to the war England was considered a very difficult market, but since 1914 our heaviest exports go to the British Isles. The habit is being well developed in Africa, particularly in British South Africa and Egypt, and although the manufacture of chewing gum from chicle is a well established industry in Mexico and Canada, these countries furnish good markets for the American product. Success in this case is the result of good salesmanship, equally good advertising and exhaustive investigation of foreign markets. American manufacturers have gladly met the wishes of importers in the matters of pricing in foreign currencies, packages have been made up containing even a sin-

gle piece of gum so as to meet the smallest purchasing power, and so on. Wrappers are printed in 18 different languages at present.

Merchandising and advertising of chewing gum has attacked the problem from every angle that could express an appeal: the soap-box orator, the brass band, by boats on the Chinese canals, distribution in famine districts, for stomach trouble, in competition with the betel-nut, etc. Practically every country has been well worked, prejudices century old have been overcome, and in less than a decade a large and rapidly expanded business has been developed based essentially on good salesmanship, advertising and a knowledge of the field.

The most imposing bank building in South America is the recently finished Buenos Aires branch of the First National Bank of Boston. Situated at the intersection of Florida and Bartolomé Mitre streets and Roque Sáenz Peña Avenue, the busiest part of Buenos Aires, this structure is the work of American builders, working from plans by American architects and financed by American capital. Opened in 1917, the Boston bank had to compete with French, English, Spanish, Italian and German banks, many of which had been active for a quarter of a century, but advertising along American lines and banking conducted in the frank American manner have made possible very great progress indeed. Today out of some thirty clearing-house banks, the Boston institution usually stands tenth in deposits and fifth or sixth in monthly clearings, although all of the banks ahead on the list and some of those behind the Boston bank, have more than one Argentine branch.

. Advertising was first concentrated on the savings department, and in spite of the fact that when the publicity began the savings department of a bank was little understood, at present the Boston bank has some 39,000 accounts. Advertising cut out new paths by using street cars, billboards and so on, examining birth reports and sending new

mothers a savings book, with a little credit to the baby's account, distribution of small savings banks and various forms of direct mail advertising with the printed maxims common throughout the United States in similar work. The best advertisement, however, is probably the bank building, which was inaugurated with an elaborate function attended by the president of the republic and most of his cabinet.

In newspaper advertising most of the Buenos Aires banks use the conventional business card, whereas the Boston institution appears with the characteristic copy so strongly developed in the United States. Advertisements appear in Spanish, English, Italian, German, Polish, Russian, Yiddish and other languages that may seem advisable in a great cosmopolitan city like Buenos Aires. Personal solicitation of business is carried on along American lines, and the varied service work of our institutions has been introduced into the banking life of Argentina. Anyone who has traveled in Latin America knows the slow process of transacting banking business, and the Boston bank saw here an opportunity of making a name for itself. Instead of the thirty or more minutes required to make a deposit and withdraw money from the other Buenos Aires banks, the Boston institution has speeded up matters to the extent that it has been nicknamed "El Banco Eléctrico."

Banking in Latin-America is a ponderous proceeding, and the banker a person who surrounds himself with elaborate ceremonial. The Boston institution adopted the American method of putting the officials on the main floor in full view of the public, where they can be seen at any time without any formality whatever. This has created a most favorable impression, has speeded up work in all departments, and added greatly to the time available for every business man dealing with the bank. Such advantages as this and others offered the Buenos Aires public are telling in favor of the Boston bank, and are a complete refutation of the commonly accepted theory that in our foreign work we must stick

closely to what custom and practice dictate in the matter of conducting our business.

In a recent address, Secretary Hoover, of the Department of Commerce, stated that "one of the interesting and encouraging facts is the rapid increase in the number of small concerns participating in export business. The surprisingly large number of inquiries now being received by the department from such firms, amply proves that the virtues of high quality, specialized production, good service, precise export technique and farsighted policy are by no means monopolized by the big corporations. Literally thousands of small dealers and manufacturers, whose commodities have a strong specialty appeal and meet a definite need, are now successfully cultivating overseas markets. Foreign trade is thus becoming a national asset in the fullest sense of the word."

This is a most encouraging sign of the times, but we must not lose sight of the pioneer work done by our great corporations. In his *Reconstruction*, Mr. J. D. Whelpley pays merited tribute to this effort. In the words of Mr. Whelpley:

"Before the war the backbone and ribs of American effort abroad was the work done by the big industrial combinations which are popularly termed 'trusts.' Their selling organizations covered the world with a network of lines of communication, the focal points of which were the agencies in each country. They furnished the frame-work upon which the great foreign trade of the United States in manufactured goods was built up. From ten to thirty per cent of the business of these big American concerns was in foreign countries, and they blazed the trails along which the smaller American concerns carried their goods to foreign markets.

"Some of them owned steamship lines, controlled port facilities, held valuable foreign concessions and all of them possessed vastly complex selling and distributing organizations, representing years of constructive work and the ex-

penditure of millions of dollars. Some of them owned factories in foreign countries and controlled subsidiary companies organized under the laws of the land in which they were doing business. The relations of some of these American companies to foreign governments were matters of the utmost importance, and they were often treated with more consideration abroad than they were at home, because of a fuller recognition of their power for good in the development of industry in the country in which they were operating. No single manufacturer or group of manufacturers could have built up the foreign business enjoyed by these American corporations; for the reason of the enormous amount of capital it was necessary to employ, the closely knit character of the organization required, and the need for a central authority with absolute power to make immediate decisions in matters in which the entire policy of the concern was involved or perhaps the expenditure of many millions of dollars.

"When the war came . . . men of authority representing these American concerns and familiar with European conditions, were immediately sent abroad to make an estimate of the situation and to arrange affairs to the best possible advantage. These men traveled day and night, through marching armies, across closely guarded frontiers, sparing no expense or hardship to themselves, to visit the outposts of American trade, ascertain conditions, make such arrangements as were possible and estimate the power and ability of the men in charge locally to hold their own in the company's interest. Governments had to be interviewed, banking arrangements had to be made and, in fact, their journeys represented in their results far more than has ever been accomplished by official diplomatic missions; for a thousand different interests were involved, human as well as industrial and financial,*and the supreme need was courage, clear vision, quick decision and practical knowledge.

"That this work was well done was apparent immediately the guns ceased firing, for as the smoke cleared away and

order came out of confusion it was apparent that the backbone and ribs of American foreign trade were practically intact; that they again presented themselves as the framework upon which the postwar export business of the United States could again be built up to its prewar magnitude, and then far beyond, for the foundations thus preserved were of enduring quality and construction. American industry owes much to these Americans who, under conditions without precedent, preserved not only to their organizations but to the nation as a whole, this great and valuable asset which was to become so important a factor in the rebuilding of American foreign trade, and through this the reemployment of the five million men who were workless in the early stages of the postwar time of readjustment.

"No general who led a division into the trenches is entitled to more credit or more gratitude from the American people than these men who, with no additional gain to themselves, risked their lives and their reputations on these expeditions. . . . The old chartered companies have their traditions of the brave pioneers who carried their business into the wilderness, but it is not necessary to turn to the history of pioneer days to find examples of like courage and amazing energy and ability, for the adventures and performances of some of the American business managers, who in the ordinary course of their duty came to Europe to look after the interests of their concerns, would, if fully related, constitute an epic of modern life with all the necessary elements of drama."

Comparatively modern practice is illustrated in the foregoing examples, but it must not be supposed, as is frequently the case, that our export trade is a thing of recent date and that we have no background. From the earliest days of our colonial period we were actively engaged in foreign commerce, supplying ourselves with manufactured goods when we had no industrial life, and paying for these things with our colonial products either by direct shipments to the coun-

tries' sending us manufactured goods, or with bills originating in other countries.

It is true that the bulk of our foreign trade is comparatively recent, but before the advent of our large corporations and direct selling, many trading houses were in existence, dealing with all parts of the world, and some of these houses still exist with many decades of constructive work behind them. American foreign trade has great names on its honor roll, and before we knew anything of sales quotas, research, advertising and such modern ideas, the ports of the seven seas had learned to respect as worthy of all honor such names as Hemenway, Howland, Aspinwall, Grinnell, Minturn, Griswold, Moses Taylor, Goodhue, Aymar, Champlin, Alsop, Wetmore, Russell, Grace and many others. These were the men who first gave American foreign trade a place in the world record, and the example of their initiative and high ideals still remains. Even today some carry on. Wessel, Duval & Company can look back over a hundred years, and W. R. Grace & Company almost as long. This latter concern is a conspicuous example of the true greatness of American foreign trade.

In 1851, a well-to-do Irish land-owner, James Grace, was asked to take an Irish colony to Peru to work on two large estates. The enterprise did not prosper, however, and in a few years most of the immigrants returned home. But James Grace remained and it was his son William R. Grace, twice mayor of the City of New York, who founded the house of W. R. Grace & Co. It has grown steadily through the years, constantly extending the ramifications of its interests until today its activities are manifold and world-wide in the strictest sense. Its stronghold is Latin America where its activities, particularly in Chile, Peru and Bolivia, are intensive. W. R. Grace & Co. operate steamship lines, textile mills, sugar estates, nitrate plants, port operations, sugar mills, build railways, and trade in raw materials and manufactured goods of the most varied character: nitrates,

sa, coffee, rubber, hides, cotton and,woolen textiles and
o on through a long list. They have introduced *through-*
out the world innumerable lines of American goods, and
through their own and affiliated houses are represented in
every market. They have financed governments, estab-
lished industries and developed natural resources of many
countries to an extent not exceeded by any trading house
of the Old World, and they have added to the annals of
American foreign trade and foreign initiative precious
pages the loss of which would take from us some of our
finest records of achievement and enterprise.

CHAPTER XI

ITEMS FROM THE LEDGER

If we examine the record of the world we shall see many interesting and stimulating things. Popping up in trade, in all directions, appear American goods pushed forward by American energy.

In Salvador, the brewery having a monopoly of the business buys its machinery from the United States instead of from Germany as formerly. In spite of prohibition, our brewing machinery is considered superior by the Germans themselves, as the brewmaster told me. One of our manufacturers of plows sent a man to Argentina who worked in the fields, found out exactly what was needed and a plow was made to fit the place and soil. The Standard Oil Company has penetrated to the remotest parts of the world, and everywhere we meet members of this concern, hesitating not at perils or discomforts, carrying the banner of their organization forward. Standard products are found far up the headwaters of the Amazon where navigation is dangerous. In China empty Standard kerosene tins have become as fixed a part of the national life as the religious belief, and are used for innumerable things: stoves, baby carriages, coffins, houses. Mr. Marcossou says that "the more I travel the more I believe the used Yankee oil can, together with our movies and motors, has done more to enhance our prestige than almost all other agencies combined."

Following intensive advertising, the products of American packers and canners are sold throughout the world; our exports of canned goods, from meat to fruit, totaled 606,000,000 pounds in 1925. Even before the war our shoes had become style standards in many countries, particularly Eu-

rope. We have revolutionized the machine-tool business of the world, and Europe is buying our high-speed mechanism in order to compete with us. The head of a large technical school in a Central American country told me that during his recent visit to Europe he was astonished "to see the names of American cities on a great number of machine-tools in the factories of different countries. Indeed you have monopolized this business."

Singer sewing machines are as standard throughout the world as wheat and corn, for the knights of the sewing machine have passed through the remotest hamlet of the most distant country, have offered installment buying, instruction in the use of the machine and have backed all this with advertisements on the shores of many an unknown coast. Eastman has dominated the camera market first, because almost every American tourist who goes abroad is a walking advertisement for the camera and next, because with money and brains behind them, he merchandized his goods in special shops and with special agreements throughout the world. Chicago meat packers have given Argentina one of her chief sources of wealth, and the United Fruit Company has revolutionized the fruit business of Central America and has grown flowers in place of pestilence and weeds.

Britain's mass producer of automobiles, Morris, is successful because of the fact that he has applied our methods in his factories. Much of his machinery is from this country and he has just contracted for heavy presses for body making. Our typewriters click in the most distant corners of the world and our films delight the people of 75 countries. Men and women of the great silk producing countries, China, Japan and Italy, are wearing our rayon stockings, which is true of 82 other countries. Our gasoline runs automobiles in 100 countries. The citizens of 70 countries protect themselves with American rubber boots. Our electric fans cool the brows of the inhabitants of 60 countries; and the people of 63 countries console themselves with our plug tobacco.

In 1924, our cigarettes went to 81 countries, 7,500,000,000 to China alone. Children's shoes were sent to 40 countries and our adding machines kept the records for merchants of 81 nations. Our chewing gum makes time pass pleasantly for the people of 72 countries, and our confectionery sweetens the days for men, women and children of 85 countries. Our exports of fresh fruits, in 1925, had a value of \$42,220,582.

American dish-washing machines save 60 per cent in breakage, 50 per cent in labor, 50 per cent in cost of hot water, are more efficient and sanitary than the human hand, and this is why, costing from \$500 to \$3,000 each, they are being sold in competition with South African and coolie labor. In Sheffield, England, there are more saw manufacturing concerns than in the whole of the United States, yet American saws are being sold to practically every hardware store and tool dealer in Sheffield, even retailed to men working in the saw factories. We make a type of saw that is superior to the Sheffield product.

Quality is a great thing in foreign trade, as is proved by the fact that the American refillable pencil is sold throughout the world in competition with cheaper goods, and the American fountain pen is standard although selling for relatively high prices. American pens are high-grade things, and in Italy, where the best American pens cost from 20 to 50 per cent more than Italian, German and English pens, sales of the American product are some fifty per cent of the total sold. Other countries tell the same story. American typewriters control things abroad, not because foreigners cannot make a machine, but because ours is better and much more desirable from the typist's standpoint. However, the American machine is more expensive. We would have no chance in Italy on a price basis, but we dominate the market on a quality basis.

Large production and standardized processes are giving us prestige in machinery lines abroad, and mill owners of many countries rarely make purchases now without study-

ing our offers. In Argentina preference is given our special machinery, although prices are much higher than those of competitors. Almost all cotton machinery imported during the last three years has come from the United States, our exports of industrial machinery to the Argentine increasing from \$4,781,000 in 1924, to \$6,461,000 in 1925. Quick deliveries, fine goods and technical service in installing and operating, are a large part of our success.

Our sales of industrial machinery in Italy show substantial increase; one-fourth of the machinery imported into Shanghai, in 1925, came from the United States. Japan is steadily increasing her orders; our shipments to the Dutch East Indies increased from \$410,634 in 1913, to \$1,454,854 in 1924. American machinery is in strong demand in Germany, and out of \$43,000,000 worth of machinery imported by the United Kingdom in 1925, we furnished a third. This is more than double the value absorbed in 1913, in spite of the fact that British machinery is our most serious competitor in foreign markets, and we have had to meet strong competition in the British markets from Continental manufacturers favored by depreciated exchange. No greater testimony could be offered of the quality of American product. Our machinery sales to South Africa increased 80 per cent in 1923 over 1922, and 30 per cent in 1924 over 1923. In Peru our machinery dominates first, because of American investment and second, because the superiority of our product is generally recognized. In Brazil our heavy tools have little competition because of their superior qualities. In India much of our equipment is to be found in the newer plants, in some shops half of the large tools being from this country. In France and many other countries our machinery is used for manufacturing shoes, and in Egypt our cigarette-making machinery is almost exclusively in operation.

A few years ago France dominated the international market in cosmetics and toilet supplies, but our exports of these goods steadily increase. Our high-priced motorcycles

are competing in Europe with cheaper native production. During 1925, we exported \$69,062,970 worth of hardware, cutlery, tools, stoves and so on, many of the lines showing substantial increases, an export movement that should give us much satisfaction indeed. Prior to 1910 few Mexicans wore shoes, but now it is estimated 5,000,000 out of 15,000,000 have acquired the habit. Here we have a story in itself, of progress, of army life, and so on, but the thing that interests us is that practically all shoes imported come from the United States. The manufacture of shoes is increasing rapidly but our machinery is being used, and in this case, as in so many others, the character of the commodity we export will change, but the total volume exported will increase. The business men of Great Britain know that greater efficiency must be injected into their work and particularly is this true in Manchester, where American typewriters, adding, listing and posting machines dominate the market. They are higher in price than British or German, but have the market because they are better. The same is true of American steel office furniture, files and so on.

In Australia our two-revolution presses are crowding out the old stop-cylinders, and we hold a predominant position in composing machines, rotary and platen presses and type-casting machines, although our goods pay 10 per cent duty while British goods are free. One of our Trade Commissioners recently reported that throughout the whole of New Zealand goods of American manufacture were on display in all the show windows: tools, toys, agricultural implements, automobiles, medicinal preparations, magazines, hosiery, hats, tobacco products, washing machines, typewriters, and an endless variety of other goods. American automobile tires are generally recognized in Germany as superior to any other, and as import restrictions have been removed and duty lowered, the market for our goods will be greatly broadened. Likewise the import restrictions have been removed on automobiles, and as American cars are being vigorously

pushed in the German market, and arrangements are being made for installment financing, increase in sales of our cars will itself bring about increase in the use of our tires.

In 1913, Great Britain had first place in the import trade of Colombia, but in 1923 the United States ranked first, England second and Germany third. In foodstuffs we dominate the Colombian market, our canned goods are 75 per cent of imports; in machetes, handsaws, axes and carpenters' tools our goods are preferred to all others. We shall furnish increasing supplies for those nascent local industries which are making their appearance in different places, and our investments and development of public works will help greatly in the movement of our goods to the southern republic.

Before the war Germany dominated in the electrical import trade of Japan, but now we are getting the lion's share, our total trade with the Far East in 1925 amounting to \$2,135,199,000. Our exports to China have quadrupled in value since pre-war days, and in Asia as a whole our machine-tools, steam boilers, construction equipment, automobiles, railway material and so on, have been purchased and found good. American cotton mills have been established in China and Japan, and the superiority of machinery and arrangement demonstrated. In India, the value of American equipment in steel mills, water-power plants and numerous other lines is clearly recognized. Java has taken up American machinery for many purposes, from railway equipment to vegetable-oil mills. From one end of Asia to the other American electrical machinery is admired and purchased.

With the new political divisions of the world, such as Azerbaijan, Ukraine and Yugo Slavia, we have an increase of 60 per cent in trade since 1920, while with Africa as a whole our trade has increased 240 per cent since the beginning of the World War. In Central America we have a commanding position, supplying 70 per cent of all merchandise imports.

Most of the vacuum cleaners used in Switzerland come

from the United States, in spite of next-door, low-priced competition from Germany and France. The foreign business of the Prophylactic Brush Company was 33 per cent greater in 1925 than in 1924. Intensive selling and advertising have done the work for this concern. The success of this dental brush brings to mind the demand of Great Britain for American dental supplies, which today is potential compared to what it will be with increased selling and advertising. Still in Great Britain we sell 75 per cent of the X-ray machines, 50 per cent of the chairs, trays, etc., 50 per cent of the cement and 80 per cent of the false teeth. In New Zealand, out of imports of \$475,000 of dental supplies, in 1923, we supplied 50 per cent. A number of American companies have factories in England and Germany, or control such organizations.

Within the memory of most of those living, it was said that the toy market was German, would ever continue German and that we should have to make the best of an unalterable fact. But economic dogmatism is unsafe at best, and in the matter of toys has proved most insecure. Our imports of toys in 1925 were valued at \$4,057,754, a decrease of 23 per cent from 1924, and of 51 per cent from 1923. Imports in 1913 were 850 per cent greater than exports, in 1924 some 44 per cent greater and in 1925 only 20 per cent larger. Exports in 1925 were valued at \$3,242,381, an increase of 10 per cent over 1924, of 30 per cent over 1923, and 67 per cent over 1922. Our rubber toys, dolls, balloons, mechanical toys and other things that children love, are winning their way in Great Britain, Mexico, Australia, Argentina, Germany, New Zealand, the Philippine Islands and many other places. In 1925 our chief competitor, Germany, increased her imports from the United States some 226 per cent over 1924.

In 1925 we exported 543,314,000 square yards of cotton cloth valued at \$85,011,000, compared with 477,815,000 square yards with a value of \$78,204,000 in 1924, an increase of 13.7 per cent in quantity and 8.7 per cent in value. Our

imports declined during the same period 38.4 per cent in volume and 29.9 per cent in value. Prices of American cloths exported declined during this period and those of foreign cloths imported increased. In 1910 we exported 295,000,000 square yards of cotton cloths.

We are no imperialistic nation, but little by little we have acquired certain extra-continental possessions, or non-contiguous territory. As a result our trade with certain parts of the world has notably increased, furnishing a striking example of how sensitive trade is to a wide range of influencing factors. Our non-contiguous territory is Porto Rico, the Virgin Islands, Hawaiian Islands, Philippines, Guam, Tutuila and Alaska. During the fiscal year 1925, our total trade with these territories amounted to \$591,358,000, against some \$256,000,000 in 1915. Our trade, during the year 1925, with these sections of the world, was more than 50 per cent of our total world trade in 1875. In 1925, our upper leather met with intense competition, German tanners offering leathers below world market levels, and, much of the time at a loss, in order to secure cash. Favored by exchange conditions, French tanners were able to quote under us, but despite this our exports of upper leather in 1925 were valued at \$30,345,875 against \$26,414,565 in 1924. And although our steel exports did not increase in 1925, they remained practically the same as the year before, an achievement indeed in face of most intense world competition.

These short lines from the ledger show that we are competing manfully abroad with foreign countries. But let us not lose sight of the trend now manifesting itself, which will make our competition more and more between our own nationals. As time goes on the American trader will find his competitor not alone in the citizen of another country, but increasingly in the citizen of the United States.

CHAPTER XII

THE TREND OF MANUFACTURING COSTS

"For the market will bear a great many prices"
Alfred Marshall

Selling at home and abroad depends on many things as we have seen. Quality, reliability, prestige, friendship, influence, price, service, style, quick delivery, ability to sell, advertising, novelty, adaptability, production, habit, accessibility and innumerable other elements. As the great English economist says, "for the market will bear a great many prices." But Alfred Marshall also says that "a competitive market will seldom bear permanently any price which does not correspond to cost of production." In other words, cost of production of the marginal concerns producing a part of the goods required, is the ultimate pivot around which prices of competitive goods revolve, because excess profits in any line, other than some form of monopoly, will create competitive production with resultant decline in price. Some merchants and traders can and do ignore price to a considerable extent, but others cannot do so.

Instead of expressing values of lead, tin, wood, corn and other things in terms of one another, we express them in terms of money in the first instance, and call the value of each thing thus expressed its price. This price is a stubborn thing in trade, and whereas the elements mentioned above are of great value, frequently sufficiently potent to bring about sales, the wise man with his eye to windward is constantly thinking of his costs so that he may add efficient production to his other virtues. As Mr. James A. Farrell, in testimony before the United States District Court (New Jer-

ey district), trenchantly remarked, "five per cent amounts to a dollar and a half a ton, and you can win or lose an order on five or ten cents a ton."

Indeed the skeleton in the closet of every business man is price. The seller wants the "long" price, the buyer the "short." At home and abroad all the arts of selling are devoted to soft-pedaling price, and an immense quantity of goods moves on this basis. Even in the case of competitive goods it frequently happens that questions of delivery, service, and so on, will overcome price differential. In preceding chapters we have summarized the great variety of factors which help our traders to keep the door wholly or partly closed on the closet skeleton, but we must never forget that price still remains and will always remain a trade factor of great importance.

In the recent *Survey of Overseas Markets* by the British Committee on Industry and Trade, it is shown that increase in our export trade in manufactured goods has corresponded to a decrease in the export of certain other countries, and we should be foolish indeed if we thought that those other countries are not going to try and recover their pre-war position. The whole world is today diligently searching for export markets, and the highly industrialized countries with their great plants are keenly alive to the need of selling goods abroad. Many former creditor nations are faced with the gripping necessity of finding export outlets so as to take care of their maturing obligations in principal and interest, while the situation is further complicated by the circumstance that, as a result of the war, a number of countries have created their own fairly well developed or nascent industries, and are seeking to protect these industries against foreign competition. In a number of Latin-American countries these industries have enjoyed rapid development, the growth of such associations as the Unión Industrial Argentina, and the abundance of merchandise sold in Argentinian shops bearing the sign "*Industria Argentina*" being a most signifi-

cant indication of the trend of things. Representatives of Argentine factories are working in various South American countries. As a result the character of foreign trade is slowly undergoing modification. Instead of finished manufactures, in many lines the imports consist of machinery for making these finished goods and this trend will increase. Were it a world competitive situation these native industries would perish, but other countries know just as well as we what tariff protection of the infant industry means. There is good evidence of increased competitive pressure in the international market. Germany is improving her position slowly, Italy has become a definite factor in many lines, particularly textiles, Great Britain is quoting very low prices in certain lines, and Japan is reaching out for more outlet to her exports. This situation, however, does not find us unprepared.

Particularly since the publication of the report "*Waste in Industry*," by the Federated American Engineering Societies, showing huge preventable waste in many of our representative industries, the manufacturing and business world of the United States has been intent on seeing how and where waste might be eliminated, where the axe could be applied without injury to production or sales. The result is that we can look back today upon a large group of definite things accomplished, and we have reason to anticipate rapid and effective extension of these practices in the future. This will have much to do with our competitive position abroad, and will supplement most effectively those other vital factors which have been discussed in this survey. Let it not be supposed, however, that we cannot compete in price with many nations of the world. The work we are doing in lowering costs is telling in good shape in many lines, notably textiles and steel. Our automobiles, as a result of the same effort and mass production, are lower in price than the European product. Our export movement shows a large list of goods, from staples to specialties, that win their way in the inter-

national markets, not alone because they are sold, but also because they are priced lower than similar competitive goods.

Among its many other virtues in international competition, the automobile industry presents an extraordinary example of cost reduction obtained in a variety of ways, with prices ruling today 30 per cent below pre-war. The Buick Motor Company is producing 1,000 cars a day at present, with 5,000 fewer employees than in 1923, when production reached the figure of 925 cars a day. President H. H. Bassett states that "in the huge Buick factories in Flint, a policy is carried on of constant search for manufacturing economy with no sacrifice of quality in the product. This search has enabled the company to price the car much lower than would be possible under ordinary standards. The huge volume of sales enables Buick to take advantage of sweeping economies in buying materials, controlling expense items and eliminating waste. All of these savings are reflected in the prices of the current models. Losses through scrapped work have been reduced to a minimum. Experts have developed conveyor systems to reduce handling expense. Every machine which will simplify and speed operations is installed as soon as it is developed. Uneconomical use of tools and expense materials is prevented before it starts. Materials and stock in process through the plant are kept moving so smoothly that there is always enough on hand to keep production under way, but never so much that the factory must contend with congestion and unnecessary handling."

Other motor manufacturers are holding the course with Buick. Instead of rolling up enormous inventories the rule now is to cut inventories, with the result that the dealer requires from one-third to one-half less capital per car handled, and the manufacturer from 30 to 40 per cent less inventory. Movement of freight has been reduced to a science, and good transportation with abundant mill capacity is enabling car manufacturers to hold purchases to a minimum.

Formerly it took from four to six weeks to paint a Cadillac car; now it takes less than seven days, and the adoption of conveyor systems and increased use of mechanical handling devices have cut down the labor per car from two to three fold. Where Continental Motors formerly allowed 87 to 90 man-hours per motor, the hours are now 53. Willys-Overland has found that one-fourth the number of officers and less than one-half the number of office employees, are selling 50 per cent more cars than formerly. General Motors has cut down its office staff 50 per cent. The body makers are doing big things. By the use of huge steel presses and enormous dies, the number of separate panels in a certain line of closed bodies has been reduced nearly 50 per cent, and die makers are now at work to still further reduce the number and bring about substantial reduction in labor cost. A body which formerly cost \$500 to produce can now be turned out for \$275, and one formerly costing \$400 now figures \$165. The Ambi-Budd Press Company, with a capital of 7,500,000 marks, has just been formed in Germany, to make automobile bodies with American Budd presses. Production costs will be one-half that of the cheapest German bodies, the same presses being used by Citroen, in France, and Morris in England.

Henry Ford is maintaining the position he has always held in this matter. His River Rouge plants are turning out tractors, glass, cement, pig iron, castings, aluminum, manganese steel, nichrome steel, bronze, motor benzol, ammonium sulphate, gas, paper, coke, coal tar, crude light oil, white metal, binder board and so on. He is saving 32,500 tons of flat steel stock annually, by applying to the manufacture of steel parts similar principles to those which resulted in conserving approximately 40 per cent of high-grade lumber formerly scrapped. Engineers at the different plants state that the conservation program applied to steel, as well as the development of costly machinery which is economically justified because of its production, have only begun.

Formerly the Paige-Detroit Company used 330 men to assemble 75 cars a day, and now 106 men assemble 175 to 200 daily. A short time ago 18 grinders, handled by 18 men were needed for grinding bores, but now a single machine with one man does the work, while three multiple presses, formerly operated by three men, have been moved together and are taken care of by one man. A ground conveyor taking frames through paint ovens was formerly in use, but now two ovens, each 270 feet long, are suspended from the roof and save 33,000 square feet of floor space.

Throughout the United States, in small and large plants, a new spirit is on the floors. Supplies are no longer handed out in the old prodigal way, but carefully measured to the need of the moment, operating expenses are being combed, whatever can be is salvaged and put in condition, engineers are constantly studying arrangement of machinery and equipment in use, while the office has come in for its share of attention with standardized forms, machines that do the work of human brains, and so on. Tools and jigs are kept under lock and key with a proved system of telling exactly where each is, and a careful check up is made at the end of the day. Inspectors move through the aisles to see that machine and man are working together as they should, while salvage of what was formerly thrown away is common practice in the smallest productive unit. No man could attend the recent sessions in New York of the American Management Association without realizing how far we have gone in popularizing the need of strict adherence to stalwart principles of efficiency in all industrial directions, nor can we watch the steady increase in the number of books and magazines devoted to business and its problems, without being fully convinced of the trend of the times. And that we are open-minded is evidenced by the fact that an executive group from the American Management Association is now in Europe to see what we can learn from others.

This question of cutting cost has become the straight line

on which industry in general has its eye throughout the country. The automobile people have given us examples of what fine things can be done, and they have taken a further step in pooling patents under the name of the Cross-Licensing Agreement, the fundamental idea being to manufacture a better automobile if such is possible. We are producing some 15,000,000 horsepower in our newly developed hydro-electric stations, and 40,000,000 horsepower are still available. In the Tennessee Valley, 4,000,000 horsepower lie dormant which may develop the future American Ruhr, while on the Niagara River, below the Falls, 300,000 horsepower can be put to work without destroying scenic beauty. Every hydro-electric horsepower put to work means a saving of ten tons of coal, and each water horsepower harnessed relieves \$100 worth of coal-carrying railroad equipment. What we will use in hydro-electric and mechanical horsepower is indicated by the fact that today we employ 150,000,000 horsepower, of which 33,000,000 are used in manufacturing industries. Since 1900 power used in manufacturing, according to the National Industrial Conference Board, has increased 236 per cent, the number of workers 90 per cent and the volume of production 185 per cent.

Secretary Hoover in his address before the Export Managers Club of New York, in March of this year, contributed the following interesting comment to this discussion:

"If we examine the reasons why we should have been almost unique among nations in this progress, I believe we can justly claim that it has been due to certain distinctively American accomplishments, and that in these accomplishments lies the confidence for the future. Our expansion of foreign trade is a part of our domestic progress, both socially and economically. And in this progress I would first mention the accumulative value of the intensified education, both elementary and higher, which we have been dinning into the American youth over the last 35 years. In this time we have multiplied our students in institutions of high-

er learning by 400 per cent. Today we have more than all the rest of the world put together. We have trained technical personnel in every avenue of production and distribution, upon a scale vastly larger than that possessed by any other nation. We have realized from this and many other causes a great advance in business organization and a great adaptability to new ideas and to shifting demand.

"Our workpeople have increased in education and skill. Above all they are largely free from the economic fallacy that restriction of individual effort increases the number of jobs. Our national unions have long since declared against such theories. We are reaping the benefits of some 600 industrial research laboratories, mostly established in the last 12 years. They are ceaselessly searching for invention and for every economy in the use of materials and method. Under the pressure of high wages we have ruthlessly revised our industry with every new invention. Beyond this, there is great and cooperative movement in American industry and commerce, for cutting out waste in a thousand directions through improved business practice, through simplification of processes and methods. Furthermore, we have had a great advantage which we must not deny, in that by volume production, made possible through a great domestic market, we have been able by repetitive processes to apply or focus every advance into standard commodities of high quality and low cost of production.

"The cumulation of these forces has increased our national efficiency to a degree which I hesitate to express statistically lest we appear to exaggerate. But I might observe that, by and large, while we have increased our population 16 or 17 per cent in a dozen years, we have swelled productivity of the nation by something like 30 or 35 per cent. Our farms produce 13 per cent more with the same number of farmers as 12 years ago; our railways carry 22 per cent more traffic with about the same number of men. We have tamed the kilowatt into the friend of man. We have now

domesticated some 68 billion kilowatt-hours annually where we used 23 billion 12 years ago. They increase output and decrease sweat.

"These are the reasons why we are able to sell goods of high quality, produced under the highest real wages in the world, in competition with goods produced under lower standards of living. These methods are no secret. They are open to the world. But they are rooted not alone in technology, which can be adopted by all intelligent people. They are rooted in social conceptions which penetrate far deeper and which not only promise greatly for the future in our standards of living at home, but, of more pertinent interest on this occasion, provide the basic assurance of our continuing growth in foreign trade, both exports and imports. These are the fundamental forces which promise for us our share of the world's increasing demands even of competitive goods—if we can keep them in motion.

"But we will not hold or gain in the world's business by resting upon past accomplishment. We can hold it by increasing our effort in education, in the elimination of waste, improvement in transportation, by cultivation of scientific research, by constant scientific improvement in our business administration both at home and abroad."

"Some twenty-five years ago we had a shortage of skilled labor which brought us face to face with the need of mechanical handling of every economic type. Occupations that required years of apprenticeship in the past, are now being handled by semi-skilled labor and the skilled laborer has been promoted to better things with higher salary. The attitude of labor has also changed, and in place of the former suspicion and fear of machine competition, has come the knowledge that the machine really increases wages by increasing production, and frequently labor demands mechanical devices in heavy lifting and handling operations. Conveyor systems, equipment for handling bulk materials, unloading and loading ships, pneumatic and electric drills, road-mak-

ing machinery, stamping presses, motor drives of innumerable sorts, the use of compressed air in myriad ways, are changing us from a pick-and-shovel country to one where man backed by mechanical power and labor-saving machinery, does more work in shorter time and produces more goods than in any other country of the world.

Wage levels depend on and correspond to the general average of productivity of labor, and we are increasing this productivity in every way imagination and invention can suggest: bonuses for gang work, motion study, making tools fit the job whether this be manual or otherwise, hourly control of production, etc. Scientific purchasing and purchasing indexes of various sorts, forecasts of requirements and many other schemes are further adding utility to the manufacturer's dollar. Prices received by the Bethlehem Steel Company in 1925, were \$3.48 a ton less than in 1924, but profits showed a decline of only 36 cents a ton. Dr. Friday estimates that in 1923 our production of basic commodities was 20 per cent higher than in 1919 and our manufacturing output 24 per cent greater, with no increase in the number of laborers and no decrease in wages. Prices were lower but profits were good. By 1925 output had increased further, wages were still maintained and profits were larger than in 1919 or 1920. The United States Government saves \$100,000,000 a year by expending \$2,000,000 annually for the maintenance of the Bureau of Standards, this organization preparing specifications for the \$300,000,000 worth of supplies purchased by the government, and seeing to it that the goods come up to the specifications. Through our national budget system we are able to hold expenditures within reasonable limits and steadily reduce national taxation, but Mr. Churchill tells the British public that expenses cannot be reduced nor taxes.

To the charge that we are making man a machine, let us reply that industrial managers today are seeing to it that their men have varied occupations and broadening activi-

ties, which amply compensate for the work of simpler days, while the expanded outlook of the worker with radios, amusements, automobiles and other things within his reach, are compensation *plus* for any mechanizing that may have taken place in the daily life. Furthermore, over-production, that curse of the worker, the cause of depressions and business suffering, the inevitable fate of industrial life, according to Marx, is being tackled and market analysis is seeking to stabilize industry. In no country do we find anything comparable to the forecasting and statistical work being done by our official and business organizations. This is having a potent effect in holding down inventories, adjusting buying to turnover and production to consumption, with resultant reduction in costs.

Adoption of the uniform specifications of the American Institute of Steel Construction, will save large amounts in the erection of steel buildings. In rivets alone \$6,000,000 can be saved, and the change recommended in the unit stress will save 12½ per cent in the amount of material needed. Proctor & Gamble recently stated that although the price of all raw material entering into the manufacture of soaps was the highest in three years, the price of the finished product is less, while Armour & Company will save \$10,000,000 this year by budget control. Chemists are saving hundreds of millions annually and the research laboratories of our great industrial concerns are working day and night, under control of some of the finest brains in the country, for better goods at lower prices. The *Wirtschaftsdienst*, of Hamburg, tells us that before the war Germany had a right to be proud of her research work, but today she "is sleeping on the laurels of the past." Dr. Arthur A. Hamerschlag, president of the Research Corporation, organized under the aegis of the Smithsonian Institution of Washington, states that "it seems quite evident that Europe realizes that future supremacy in invention can only be won by outstripping the United States, which, with its great endowments, prosperous busi-

ness and manufacturing enterprises and its prompt recognition of latent talent, provides a support to research and invention that cannot be duplicated in Europe." Secretary Hoover and associates have recently organized the National Research Endowment, which will raise \$20,000,000 or more to aid American universities to carry on fundamental research work during the next ten years and the research staffs maintained by some of our great industries are more numerous and skillful than those of pre-war Germany.

Our far-spreading vertical combinations of capital are revolutionizing industry, starting as they do with raw material, binding close the various steps in production through the mills, transporting goods over their own railroads and in their own steamships and finally placing them at the consumer's door with their own sales agencies. Our railroads in 1925 established ten new operating records in handling the greatest freight traffic ever offered them, and had a net revenue of \$1,136,973,000, a remarkable come-back from the devastation of government operation. Our shippers have worked closely with the railroads, and better loading has made possible economies all along the line, while electric traction and various forms of internal combustion engines, are destined to create notable economies in transportation in the near future. Engineers of the United States Forest Products Laboratory, at Madison, Wisconsin, believe they can show the country how to save \$2,000,000,000 a year in the wood industry alone, and this would be accomplished by doubling the value of the annual cut of wood which amounts to the above figure. By reducing the number of sizes of bank checks and making the face of the check uniform, bankers believe a saving of \$10,000,000 a year can be effected.

This saving in check manufacture, is part of the great campaign for standardization now being preached to the country, the advantages of which are seen abroad to the extent that several countries are taking steps to put in operation the same plan. Many industrial groups are working

out various plans, a notable one being the American Engineering Standards Committee. Mr. C. E. Skinner, chairman of this committee, states that national standardization has saved the country hundreds of millions annually, the saving in the automobile industry alone being \$750,000,000 a year. The committee's year book shows that 68 standards have been approved and work is progressing on about 100 more. Standardization has also become widely known and popularized through the efforts of Secretary Hoover, of the Department of Commerce, the work being in charge of the Division of Simplified Practice and consisting in the "establishment of grades, standards of quality, dimensions and performance in non-style articles of commerce; through the simplification in dimensions of many articles of manufacture and the reduction of unnecessary varieties; through more uniform business documents." Savings through such methods are estimated at hundreds of millions annually, Barclay's Bank, of London, in a recent circular, summing up the situation in the following interesting manner:

"There is still another factor in the present money situation (of the United States) which seems to have passed almost unobserved, yet which deserves special mention at the present time, namely, the cumulative benefits flowing from the establishment of the Division of Simplified Practice in the United States Department of Commerce, nearly four years ago. The folly of manufacturing sixty-six varieties of paving brick when only five are actually necessary to meet all demands, needs no demonstration. By force of inertia, however, the situation would doubtless have endured indefinitely in the absence of some agency whereby producers, distributors and users could come together and agree to minimize the excess varieties in shape, size, quality, process, composition and other characteristics of many products. Thus, the styles of woven-wire fencing have been reduced from 552 to 69. Where 78 sizes of bedsteads, springs and mattresses were formerly manufactured, only four are now turned out. Bolts

and nuts for farm machinery have been reduced from 1,500 varieties to only 840. Hotel chinaware has declined similarly from 700 to only 160 kinds. Nine types of milk bottles now do the work of 49. House builders are content with 24 different kinds of metal lath as against 125 formerly. Several other items used in building construction have been simplified to the gain of all concerned. The lumber industry has thus taught itself to economize nearly \$200,000,000 annually. The good work is going on steadily in a widening circle of industries. Automotive parts, boilers, boxes, concrete blocks, dental supplies, furnace parts, grocery bags, tanks, oil burners, pocket knives, wooden tool handles, hardware in scores of different groups, steel lockers, rubber heels, cotton fabric colors, invoice and other office forms—these are a few lines where highly practical innovations have been made in the direction of greater simplicity. But the end is still far away. To quote the author of the movement: "There is a great area, still untouched, in which the application of these waste-eliminating measures may well save not millions but billions."

In the fullness of our youth, when we thought that our resources were inexhaustible, we used to allow hundreds of millions annually to leave our mills and factories and float down stream to feed the fish, or kill the fish, as the case might be. But now it is different. Conservation is the order of the day, and every effort is being made to utilize by-products and bring about economical consumption of raw materials. We are producing some \$100,000,000 by-products from coal. Modern conservation devices and improved storage tanks are saving 26,250,000 barrels of crude petroleum, or 1,102,500,000 gallons of gasoline yearly. Five years ago loss by evaporation amounted to $7\frac{1}{2}$ per cent of total production of crude oil, while present loss is $3\frac{3}{4}$ per cent. A new type of steam generator has been put on the market, which engineers assert makes possible reductions of 35 to 40 per cent in construction costs and material lowering of fuel con-

sumption. The Endicott Johnson Shoe Company announces that from waste leather, shavings from tannery, clippings, and so on, it is making a good grade of paint and other products.

There is little general appreciation of the vast work that can be done. A four-foot seam of coal contains enough ammonium sulphate to fertilize the land above it for 1,000 years, and our production of wheat could be increased 50,000,000 bushels a year if the ammonia wasted in beehive ovens was saved and used. Although a ton of straw, by a process of distillation, can be made to yield 10,000 cubic feet of gas suitable for light, heat and power, nevertheless millions of tons of straw are burned annually. Our farms could yield vast wealth in by-products and doubtless in time we shall follow the example of European countries, where necessity has brought about thrift which as yet has not been forced upon us. Economy of this character means materially lower costs, and when our government, states and municipalities reduce the crushing tax tribute they are at present levying on business the ratio will be further lowered.

A short time ago the manager of a large United States concern, manufacturing machinery products, told me something of his life. This man is British and he worked for years at his trade in his home country. Finally he came to the United States, and in less than a month discovered that his efficiency had increased some 25 per cent. He told me that at home he would have remained a wage-earner, that the opportunities for advancement were almost nil, that banks did not favor new enterprises inaugurated by newcomers with small capital, but that in the United States every man stands on his own; he receives encouragement of all sorts to branch out, and this psychological factor had an extraordinary effect on his capacity and his desire to work. At this point we touch one of the most interesting and pregnant fields in all of our cost-reduction work, for here capi-

tal and labor are cooperating in a job of immense significance.

The factor described in the above paragraph must never be lost sight of in considering our industrial situation. Startling though our progress has been in the development of time and labor-saving devices, the chief reason for our high productivity and wages is the incomparably greater energy developed by the American workman. The higher speed is far from being that of the mere machine. Human labor is large in an industry like coal-mining, but we produce some 450,000,000 tons of bituminous coal with 700,000 men, while Great Britain requires 1,200,000 men to bring out less than 300,000,000. Great Britain has 20,000 miles of railway, and employs more than 700,000 workers. In the United States nearly fourteen times the mileage, some 275,000, need only two and one-half times the number of workers.

Mr. Dwight T. Farnham, in his book *America vs. Europe in Industry*, makes a valuable contribution to this subject when he states that the editor of a British technical magazine, closely in touch with industrial conditions, told him that British "labor was convinced that high individual production resulted in shutdowns, and had for the most part gone back to one automatic per operator and to limiting production as much as possible in every way. Piece work is generally opposed by the labor unions." In another part of his interesting book, Mr. Farnham tells us that "in the metal industry (of Great Britain) the shop spirit is the worst I encountered in Europe. The looks the men cast at the executives—from directors down to foremen and technical men—were positively murderous. Ca' canny was obviously rife. In one plant the molders had thrown six subsequent departments out of work by slacking off preparatory to making the suggestion to an inquiring management that 'a raise might help some,' which I was to learn was the usual procedure in such cases." The same thing may be seen in several Continental countries.

In a recent address, Mr. William Green, President of the American Federation of Labor, stated that the "American worker, with improved machinery, greater skill and the elimination of waste has increased his productivity 50 per cent," and this frank recognition on the part of American wage earners of the acceptability of machinery in work processes, and the advantages to the pay envelope, has made many things possible that otherwise would have been defeated. Employer and workman are today getting closer together, seeing each others' problems and gaining a sympathetic insight into each others' lives. Premier Baldwin, of Great Britain, like many other industrialists on the other side of the ocean, sees these things and he brought his conclusions out forcibly in his recent speech at Sunderland.

"I would urge employers and trade union leaders," said he, "to make the point of visiting America quickly and often just at present, to study their methods, which are proving to be of such success in production, and I venture to think that no trade union leader could do better service to the cause he represents, than by investigating closely what the methods are that enable American workmen to enjoy a better standard of living than any working people in the world, to produce more and at the same time to have so much higher wages. I venture to think there is much more for us to learn from studying conditions in that country than by spending any amount of money studying conditions in Moscow."

After visiting the United States, a few months ago, Colonel Vernon Willey and Mr. Guy Locock presented a report to the Federation of British Industries, in which they state that "in view of the shrinkage in the stream of immigration and therefore more particularly of the pool of unskilled labor (in the United States), it is becoming more and more important for labor-saving devices to be used to the greatest possible extent. To this labor offers no opposition, and the result is a constantly increasing efficiency in production with a constant striving toward greater me-

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chanical efficiency, and a comparative freedom from the restrictions on output which hamper the producer in England. . . . The fatal doctrine that there is a necessary conflict of interests between capital and labor does not prevail in the United States. There has been a widespread development of the system of interesting employees in the stock of corporations for which they are working. . . . There is a spirit abroad which is sometimes referred to as the 'new leadership'—a spirit of cooperation, initiative and a 'square deal' on both sides. This spirit alone goes far to maintaining the amazing increase in the efficiency of American production."

The *Investors Chronicle*, of London, tells us "in the United States the miners work eight-hour shifts, welcome machinery and operate it to full capacity. They make average wages of nearly \$40 a week, besides which coal is cheap, while British miners earn only about \$13 per week on the average and suffer much unemployment. In the United States the production is 80 hundredweight per man-shift, whereas in Britain the production is 17½ hundredweight. One result of the high output in the United States is that American coal, despite the long distances that separate the mines from the shipping ports, is competing with British coal in several markets where, according to the British viewpoint, there should be no competition.

"It costs far more to carry coal from the United States mines to Quebec and Montreal than it costs to carry our coal there," says the journal. "Yet, because our mining costs are so high, we cannot reap the advantage of low rail and shipping costs. We have our mines close to our ports, and our sea freights are far below American railway rates. But the Americans are sending eighteen times more coal to Canada than we are exporting there. With anything like reasonable pit costs, we could capture nearly the whole of the coal trade of Canada, 20,000,000 tons a year. Again, we ought to have a big pull in the Latin-American republics, by reason of our convenient and cheap transport, plus the qual-

ity of our coal; but in South America, as in Canada, American coal competes successfully with British coal. It is the same at the West Indian coal stations. To crown the business, we see American coal sold in Continental Europe, especially in Italy, cheaper than British coal, despite a combined rail and sea freightage three times as high as our coal has to carry."

In 1925 the average production per man, engaged in 22 basic industries in the United States, was 34 per cent more than in 1920, and the output of this country is greater per man per day by far than anywhere else, while the superiority of output per man per day is greater and increasing. A number of Americans with factories abroad have told me they could not manufacture cheaper in foreign countries. They gained in laid-down costs, freedom from tariff and vexatious restrictions, etc. Ten years ago it took an hour and forty-two minutes of a workman's time to produce a pair of shoes; today we need only 54 minutes and we shall shortly have a lower figure. Twelve years ago the construction of an average priced automobile took 1,260 man-power hours; today we need only 220 hours, and here likewise we are expecting lower figures for the future. Four or five years ago weavers operated 4 to 6 looms, never more than 10, but now they are operating 36. Up to a few years ago New England textile mills were winding their warp beams with about 50 pounds of cotton or wool; later the weight was 150 to 300 pounds, while today 600 to 1,000 pounds are used. This development has been characteristic of every branch of our activity. The Department of Agriculture estimates that we are now using on our farms some 16,000,000,000 horse-power hours. Seventy-five years ago the average agricultural worker could care for 12 acres of crops; now he can attend to at least 34 acres—in some states the average is 100—while on individual farms the figure may rise to 300 acres or more. The worker's hours have been considerably shortened, much of the drudgery and monotony of farm life have

been eliminated and great numbers of people have been released from agriculture to other industries. On this latter fact is based the belief of many students that our agricultural production can increase with our population, without requiring any great increase in human labor.

The National Industrial Conference Board estimates that during the five-year period just before the war, 24.4 acres were cultivated in the United States per worker; in Scotland, 16.6 acres; England, 9.5 acres; France, 8.3 acres; Germany, 6.2 acres, and Italy, 4.2 acres. From 1910 to 1920 our farm labor increased in efficiency 22.5 per cent, the number of workers decreasing, during this period, 9 per cent and production increasing 11 per cent. Thirteen times as much farm machinery was in use in 1920 as in 1870, the value of machinery per worker increasing during this period from \$36 to \$176, values being in terms of 1913 purchasing power. Between 1880 and 1920 agricultural production increased 130 per cent and the number of workers only 56 per cent, nearly 18,000,000 less people being required on our farms today than would be the case without the great increase in the use of power.

According to the Confederation of Italian Industries, Italian silk mills have an advantage of only 3 per cent, in labor costs, over those of the United States, the percentage ratio of wage to output being 14 for Italy and 16.6 for this country. This is the result of our using more and better machinery. In England the automatic loom is seldom seen, but in the United States it is demanded by the worker. Mr. Floyd Parsons estimates that the American worker is producing twice as much as the British. Another investigator says it takes ten British workmen to produce the outturn of seven Americans, and Sir George F. Foster, of Canada, states that three Americans will do the work of five British workmen. Mr. Hugh Quigley, in an exhaustive discussion of textile production ratios in the United States and Great Britain, appearing in the *Manchester Guardian Commercial*, finds

that the ratio is 3.3 to 1, in favor of the United States. Mr. Quigley concludes:

"It may be said that in any country as young as the United States, with her vast natural resources and rapidly increasing population, it is quite natural that her industry should be soaring at a great rate, while our own, so long established, shows practically complete stagnation. If this argument is carried to its conclusion, it spells something like the total eclipse of British industry in a short time."

In 1920 we built three times the mileage of highways we did in 1910, but we employed 65,000 fewer common laborers; in 1920 the railroads transported two-thirds more freight than in 1910, with 73,000 fewer common laborers. "American workers are capable of producing and do produce more labor per hour than their British brothers," was the opinion of all eight members of the British delegation of workmen, recently brought to the United States by the London *Daily Mail* to study working conditions in this country.

One of the members of this delegation, Mr. S. Ratcliffe, believes that "American employers are probably the most adventurous of industrial leaders. In America they have proved that by taking risks and trusting the people whom they employ they receive the greatest reward industry could receive. They recognize that the rewards of industry should not be taken only by those who risk their capital, but shared with those who give their human effort in carrying out the details of industry."

Two British observers, Messrs. Bertram Austin and W. Francis Lloyd, as a result of a visit to the United States, have written a book entitled "*The Secret of High Wages*," which Mr. J. L. Garvin, editor of *The Observer*, of London, calls "the most valuable little book upon Britain's industrial crisis which has appeared since the war." In this study nine reasons are given for our prosperous economic condition: "One—Promotion in America is by merit. Two—America sticks to the principle of small profits and quick returns, and

wealth is made by fine margins of profit on immense and rapid turnover. Three—Rapid turnover is secured by simplification and cheapening of processes which necessitates less capital for a given output. Four—America shows endless keenness in devising time-saving and trouble-saving appliances. Five—The American employer is not hostile to high wages. Six—American manufacturers cooperate by exchanging ideas. Seven—Americans are vigilant and acute in eliminating waste and in conserving time, energy and space. Eight—American welfare methods double high wages in their stimulative effect by surrounding the workers with cleanliness and light, and by seeking in every way to increase their conveniences and satisfaction. Nine—Americans encourage research with magnificent intelligence, scouring the world to obtain the best research brains."

The two British observers call attention to our willingness to junk millions of dollars' worth of equipment if such will increase production, and state that English manufacturers "worship" their old equipment. The assertion is made that in British industry there "is too much pull and privilege. Too many directors have secured their posts because they have friends and not because they are competent to fill them. The American system of working up through a firm, and the condition that a man must prove his administrative capacity to get an important post is much better. The American manager is highly paid, and knows he must show high efficiency for his money." Our policy of building up reserves is praised, for "one of the principal difficulties of British industry today is that too many manufacturers are up to the hilt in debt to the banks. Too much attention is given to pleasing the banks and shareholders and not enough to production."

The Prince of Wales, in a speech before the Institute of Civil Engineers, said that "in the United States one of the things that impressed me most was the extraordinary ingenuity of American engineers in designing and applying

what are ordinarily called labor saving devices, but what I would call labor aiding devices. Their successful development of this line seems to have a lot to do with the present great industrial efficiency of the United States."

Four officers of the firm of S. W. Straus & Co., of New York, recently returned to the United States after making a study of industrial problems abroad. A preliminary report is, in part, as follows:

"We found building costs in London were about the same as in the large American cities, notwithstanding the fact that our labor receives about three times as much on the average as theirs. Bricklayers in New York, for example, are now getting \$14 a day, while the scale in London is \$4 a day. With this difference it would seem that building costs in London should be considerably lower than here, but the seeming discrepancy is accounted for in that the English builder has been slow to adopt American efficiency methods. A building which we would erect in nine months would require almost twice that time in London.

"Several of the best English builders have made extensive studies. One large concern has an American building superintendent to organize its work after the methods used here. It will take some time if, indeed, it can ever be accomplished. As an example, the American superintendent on one job attempted to introduce our hanging scaffold, which enables bricklayers to work more conveniently and rapidly. He was told that the British workmen would not work on the scaffold. The builder had to abandon it and erect a scaffold of iron. In some of the smaller jobs we saw derricks being worked with hand power.

"It is not only the equipment used which slows up the job, but it is also the lack of American methods of planning beforehand for the flow of materials on the job. In other words, there is not the coordination between all the sub-contractors that we have here."

From the rather elaborate excerpts given in this chapter,

it is clearly evident that our practice has made a profound impression on the citizens of foreign countries. It is only natural for those who come to the United States to be startled by what they see, and to feel that with our methods and practice the solution of their economic troubles would be found. But it is to be questioned how far and in what way the things we have in such abundance can be applied abroad. There is no country in the world that can show comparable industrial and economic activities to those we possess, that has anything distantly approaching our domestic purchasing power, that has a substantial fraction of our corporate wealth making possible many of the things that are commonplace here. Therefore, to a considerable extent our development is peculiar to the United States; it cannot and will not be reproduced elsewhere, and we may fairly believe that the advantages we have will, to an extent, remain with us permanently. Even where imitated, it is the rule that the imitator is always a long way back of the originator.

The worker's nightmare is unemployment, the period of slack times which brings idle days, gradual depletion of the savings account, silent factories, disorganized personnel. This all means a heavy addition to cost of manufacture, since overhead continues and half-production is costly in many different directions. This condition, present in both seasonal industry and otherwise, is being carefully considered in many American plants today. *'Can Business Prevent Unemployment?'* is the title of a book by Messrs. Lewisoohn, Draper, Commons and Lescohier, which well merits the study of business men. If we can manufacture a new product that will fill in during the slack season, if we can take advantage of a foreign market where demand emerges at the time it decreases in this country, if statistical work can adapt production to market, and if we can do other things of a similar character to balance production throughout the year, we shall do much to decrease costs.

In sum, the answer to this question of costs will be

found in reduction of overhead, more efficiency and lower selling expenses. The foreign situation does not differ from the domestic. We have spent millions of dollars in experimentation with foreign trade, just as we have spent millions at home. But today we are obtaining a great deal of exact knowledge covering foreign countries and trade conditions, and this knowledge of selling, economics, competition, needs of the people, and so on, will go far to lower our foreign costs and increase our turnover with resultant decrease in overhead.

CHAPTER XIII

EXPORT AND IMPORT TRADE

As a rule thinking for the public is done by self-constituted or duly appointed special pleaders. In consequence the masses see things as through a glass darkly, or rather they *feel* in favor of, or against, public questions, without thinking for themselves. With this feeling is mingled a complex of associations so that the public verdict frequently takes no cognizance of the simple facts of the case.

Foreign trade is no exception to this rule, and in a high-tariff country, such as the United States, the desirable part of foreign trade is export trade, and import trade is looked upon as some piratical adventure on the part of foreigners trying to flood our market with cheap wares, bring into competition with our high-priced labor goods produced by workmen with low wage scales, with a resultant lowering of our standard of living and destruction of the comfort and well-being for which this country is and has been noteworthy.

Substantial change, however, has taken place in our viewpoint during the past decade. Millions of our citizens have been brought in direct contact with foreign countries and foreign affairs, and millions have seen that their prosperity or lack of prosperity depends on foreign purchasing power. Large numbers are being drawn into the international sphere through investments, so that today we have partly ceased to be an insular people. In spite of all this, however, there is still no fair concept of international trade, and the matter remains obscure and ill-defined.

Trade, whether it be foreign or domestic, is merely, the

exchange of goods and services for goods and services, through the medium of money. In both cases the thing is motivated by some advantage to be gained by buyer and seller alike. We exchange our skill, labor and intelligence, in domestic trade, through the medium of money, for what to us is most desirable or needful, and we do precisely the same thing in foreign trade. In the two cases we exchange labor, skill and intelligence for labor, skill and intelligence, and whether we sell abroad or buy abroad the principle is the same for us or citizens of foreign countries.

In domestic trade we have the same laws of "absolute" or "comparative" advantage, and consequent price differential, that we have in foreign trade. Pennsylvania does not ship corn to Kansas, nor England wheat to Argentina, because in both cases there is an "absolute" advantage which leads in the one case to the shipment of iron, in the other of coal. We import flax from Belgium and Russia, silk from Japan, coarse wools from Turkey and China, not because we could not produce these things in sufficient quantities, but because we have a "comparative" advantage in producing other things. Massachusetts could make automobiles, the Carolinas rubber goods, Texas packer products, but they do not because something else is comparatively more advantageous.

In foreign and domestic trade this gain by division of labor cannot be measured in any schedule of percentage, but there can be no doubt that the gain is immense in greater production, wealth, employment, human comfort and all the things that go to make life worth while. Perhaps some are not pleased with this idea of dependence on foreign countries. They feel we should confine ourselves to practicing division of labor at home, and we should develop in all directions so as to free ourselves completely from dependence on foreign nations. This is good enough as a nationalistic slogan of an extreme character, but it will always remain merely a slogan. We simply cannot produce all that we need

in our widely complex life, and whether we like it or not our dependence on other countries is absolute and inevitable. We have been important customers of the world at large and we are annually increasing our bill for the commodities, both raw and manufactured, we have to buy abroad.

Foreign trade, import and export, like domestic trade, is not the result of any organized scheme, malevolent or benevolent. We have here merely the play of the trader instinct, seeking individual gain through the mechanism of exchange. The automobile manufacturer working to exchange his produce in the domestic market for purchasing power with which to buy raw materials, labor, take care of his costs and satisfy his capital and personal requirements, is moved by the same factors as this same manufacturer shipping his goods abroad. The importer, in his turn, is satisfying a demand not properly met at home for raw commodities or manufactured goods. The automobile manufacturer would not ship his goods abroad if he could sell at home, but by gradual accretion he has built up his plant until it can produce more than we need, and in order to keep his workmen employed, his unit costs from mounting, his production curve from having severe rises and falls, he builds up the foreign market.

To many the idea of selling abroad is much more agreeable than the one of buying abroad; we seem to be gaining when we sell, losing when we buy. Aside from the fact that this old economic doctrine is entirely incorrect, and that we do not think this way when making domestic purchases, I do not believe that the American sense of fairness can tolerate this view. We have built up our republic on the principle of equal rights, and if we admit advantage in selling our commodities abroad, in common justice we cannot deny foreign participation in this advantage. • •

If we think we have a perfect right to sell our automobiles, specialties, industrial machinery and so on abroad, when we win out on a basis of legitimate trade competition,

in fairness we should concede the same right to the foreign trader, so far as the United States is concerned. If the Scottish tweed manufacturer can sell his goods here because we make no similar textiles, if the British fine-count cotton cloths can be sold for similar reasons, if foreign iron and steel, Swiss watches and other things, compete in our own market on a price basis, there is nothing alarming about it. And it is merely fair that we give the other fellow a chance if we expect to have a similar chance.

With our present national policies we are never going to import enough manufactured goods to hurt us, and the visible import merchandise balance we may have some day, will not be produced by manufactured goods, but by raw materials and foodstuffs we need, and shall increasingly need. We shall consume more of our raw products, other countries will increase their own production, we shall not be able to compete with newer countries, with resultant decline in such exports, while our imports of foodstuffs and raw materials will increase. In 1925 our imports of foodstuffs exceeded our exports of such things by \$32,000,000. Our adverse visible balance for the first three months of 1926 of \$125,000,000, was due to decrease in exports of raw materials and increase in imports of the same class of commodities. In 1925 we had an adverse balance on all items, visible and invisible, of \$64,000,000, and we exported more gold and silver than we imported, the net export being \$168,000,000, the first net export since 1919.

However, as analysis will show, an adverse visible balance in itself is proof of little or nothing. Only when we have sifted all the evidence and taken into consideration all factors do we know whether the *apparent* adverse or favorable visible balance is really so. Countries with consistently favorable visible balances are, in normal times, using the export excess to pay their debts abroad, while countries with continuous unfavorable visible balances are paying for their excess of imports with money owed by foreigners. In this

sense it is strictly correct that an unfavorable balance is a favorable one, and a favorable balance is an unfavorable one. England for many years showed a continuous unfavorable visible balance, but this was evidence of England's great wealth abroad and was merely money owed her paid in goods. In time we shall doubtless have an unfavorable visible balance, but this will merely be evidence of our great wealth invested abroad on which we are receiving proper return. Even in this case, however, a considerable part of the imports making up our unfavorable visible balance will be sent to this country by American interests that produce them, and consequently the numerical situation will not tell the story by any means. This is merely another point in the complex total of the balances. We are sending millions abroad the interest on which will return to us in the form of raw materials to partly supply our constantly increasing need for these things. Our investments abroad are thus first serving the capital needs of some foreign country or interest, to subsequently serve us by supplying us with things we shall need.

In 1925 our imports were \$4,228,000,000. As a whole they were needed to carry on our commercial and manufacturing life: tin, sugar, rubber, potash, asbestos, coffee, tea, silk, nitrate, manganese, jute, hemp, newsprint, almost without limit is the variety of the things we must have from abroad. Without them we should cease to exist industrially, and in what we eat and wear we should closely resemble our cave ancestors. It would be impossible for us to pay for these essential imports except in goods. The services we might perform would pay a little bit on account, and all of our gold would help somewhat, but there would still be a big deficit that, in the absence of exports, would soon turn us into a nation without credit abroad. Therefore, export and import trade are merely complements, manifestations of the old human process of paying our honest debts and obtaining what we need for our living.

Whether we be converts or not to the need of export trade, every business man knows what periods of depression, due to refusal to take goods or lack of buying power, mean. Factories are closed, workers are idle and hungry, class feeling grows fast, Congress is in a turmoil, banks fail, Christmas is a sad time. And it does not take a large drop in production ratios, nor do many trades have to suffer at the start, to produce depression. Even today with our well-employed labor and general prosperity, a sudden halt in building, automobile construction, railroad buying and public works, would bring serious times. But 40 per cent of our coal mines could produce all the coal we need, our window-glass factories in 17 weeks can supply our yearly consumption, our cotton mills can produce 20 per cent more than we can use, our steel and iron mills can supply our annual needs in seven months, 14 per cent of our shoe factories can produce all the shoes we can wear, we have market demand for 4,000,000 motors and can produce 6,000,000, our exports of canned fruits are sometimes 46 per cent of domestic production, 20 per cent of our canned salmon is exported, 25 per cent of our condensed milk, 20 per cent of our industrial machinery, 40 per cent of our typewriters, 25 per cent of our adding machines, 39 per cent of our copper, 21 per cent of our wheat, exports of unmanufactured tobacco since 1910 have ranged from 30 to 50 per cent of annual production, and without foreign buying of raw cotton we should again see the plea to "buy a bale" to help the southern planter. Suppose we had no export trade! What devastation we should suffer! But without imports most of these goods could not be manufactured nor paid for.

There is widespread fear today of a decline in domestic business. The Federal Reserve Board reports that our wholesale prices are the lowest since September, 1924, indicating production in excess of demand. Curtailment has taken place in the woolen and silk industries, and cotton mills are to follow the same procedure. Many lines of fin-

ished goods are being sold at a concession. Whatever developments may take place, with our great domestic consumption a large volume of business will be done, but actual variations between so-called prosperity and slow business are comparatively narrow. It would seem that 15 per cent from normal, in either direction, is usually the extreme limit of fluctuation. Giving this situation the weight it merits and considering it in connection with the preceding paragraph, the vital importance of our export trade is apparent. But let us never forget that this export trade is impossible without our import trade. First, because we need imports to produce our goods and round out our lines of manufactured wares, and second, because foreigners need the money resulting from payment for these imports to buy our exports.

We have today a plethora of funds seeking investment and like all industrial countries we have built plants far beyond our needs. Our industries are able to produce and sell more goods than our people are willing, even though statistically able, to buy at prices which will return a profit. This building up of plant results in larger and larger production, and we are keeping up the process with investments of \$5,000,000,000 annually. The result of all this is seen in overproduction that brings about a declining price level, prices that refuse to rise although costs increase, intense competition and superhuman selling efforts. The cry is going about the country today to sell at almost any cost.

Our capital accumulations will not decline, our plants will keep on growing, our need for sales outlets abroad will be felt with greater force as the months go by. To pause now, to cease our efforts to distribute our product abroad, to fail to recognize the vital need for export outlets would be fatal to our national existence. Those far-seeing individuals, who a few years ago preached the need of foreign outlets for our goods, have been proved right. Today export trade is not a sporadic activity to be indulged in if we so desire. It is an absolute necessity if we are going to

expand, if we are going to grow, if we are going to live. Only the camp-followers believe the contrary. The main army knows what it has to do.

CHAPTER XIV

A FORECAST

We can face the future with confidence. We have the plant, the brains, the money, and our trade is based on an immense and constantly expanding home demand. We are steadily increasing our knowledge of foreign trade, our investments are flowing to every part of the world and we may look forward to increase in the percentage of 14.5 which expresses the part today, of our total trade, absorbed by export trade. Our factories and mills will grow and expand, greater economies will be effected in production and larger masses of goods will be produced. Our industrial establishments will continue well in the lead of the rest of the world, and will maintain their present position where they incorporate an amount of capital funds and plowed-back earnings, which are not approached and will not be approached by any other country.

Last year new security flotations in the United States amounted to \$6,200,000,000, and 485 corporations only earned \$2,312,000,000 net. This vast sum of money will grow with the years, will seek employment in this and other countries at such wages as it can get. The recent government bond issue of 3¾ per cent and a premium, running for thirty years, shows we shall not have to pay high rates for our money and many projects that at present seem unattractive financially—for example, shipping—will in coming years give good average remuneration. This abundance of money at reasonable rates will lead us to adventure forth in many new ways, although at home we shall be busy. It is estimated that in eleven western states capital investment

during the next 10 years will be \$15,000,000,000. In 1950 we shall have a population of 150,000,000 people, and many new, great cities and industrial centers will be born that today are without a name.

National pride must not carry us too far, but one cannot avoid the vision of greater power and influence for the United States. Our national income in 1920 was \$74,158,000,000, some ten times that of Great Britain and Germany, and our national wealth in 1922 was \$320,000,000,000, compared with \$88,000,000,000 in 1900, and \$30,000,000,000 in 1870. Our wealth in 1922 of \$320,000,000,000, contrasts with \$186,000,000,000 in 1912, the figures for Great Britain, during the same period, being \$88,000,000,000 against \$79,000,000,000, France \$67,000,000,000 against \$57,000,000,000, Germany \$35,000,000,000 against \$77,000,000,000. We have 6 per cent of the population of the world, but use one-half of the basic materials of commerce. We produce 43 per cent of the world output of coal, 54 per cent of the iron, 64 per cent of the steel, 49 per cent of the copper, 64 per cent of the petroleum, 69 per cent of the cotton, 52 per cent of the timber and 41 per cent of the shoes. We turn out 92 per cent of the world's automobiles, and it is our buying that sustains the market in a vast range of commodities from silk to rubber. We own half the railway mileage of the world, three-fourths of the telephone and telegraph equipment, while the budgets and wealth of some of our single states are greater than those of many foreign countries. It would be to close our eyes to the compelling weight of great facts, were we to refuse to see where this colossal accumulation of power in the hands of a homogeneous, united people, practically protected against foreign aggression, is bound to lead.

Our competitors abroad are faced today with a fact of tremendous significance. They see massed, in the United States, wealth and productive power greater than the world has ever known, greater than could be assembled by our

united trade rivals. They see this wealth and the product of this industrial power sweeping along trade channels of large and small countries, and the banners of our commerce carried forward by skillful men who will not be stopped. They see our government officials and representatives of business organizations, examining minutely the commercial fields of the world, and they note an avalanche of printed material, in all languages, seeking the buyer in the remotest hamlet and telling him the story of American goods. They find a condition of high wages and immense domestic purchasing power in the United States, leading to manufacturing methods and inventive initiative not approached in any other country nor to be approached in a definite future, and they see billions of American money going abroad to provide insurance for raw materials, save governments and obtain seats of influence in innumerable activities.

These are the pregnant things seen by the man abroad. They are understood much more clearly than we comprehend them. And as they are considered, the foreign merchant or manufacturer has a not unjustified feeling of apprehension. Let us think of this long and carefully! We wish and shall have our fair share of world trade. We do not wish a share that will deprive others of what they need and should have. Our trade flourishes as much by selling to countries which are our competitors as by selling those who do not compete with us; England is our chief competitor and our largest overseas customer. These countries need foreign trade as much as we! A monopoly of world trade for us would be an unmixed disaster!

There will be enough trade to go round. As higher wages and better standards of living become typical for many backward countries, increased demand will emerge in these places while many new markets will develop in other ways. South Africa is finding that there are other mines than gold, and capital is turning its attention to coal, iron, copper, tin, silver, mica, asbestos, lead, zinc, manganese,

nickel, and so on. Farming, the fruit industry and other activities are rapidly advancing. Total imports into Nigeria, in 1924, were \$55,000,000 against \$30,000,000 in 1914, and the total mileage of motor roads in the Gold Coast has increased since the war from 1,300 to 4,000. The total mileage of railways in Kenya and Uganda has increased from 710 miles before the war to 1,180 at present. Great markets will arise in China, South America and other parts of the world based on a variety of circumstances.

That period of the world's history known as the colonial, where vast sections of the earth were ruled by some relatively small European political unit, has passed never to return. In future there will emerge great states, comprising large areas and to an extent self-contained. The United States is the typical example today of this new state. Professor Walther Vogel well expresses the thought in a number of the *Weltwirtschaftliches Archiv*, issued by the University of Kiel, where after concluding an interesting survey he states: "It can be said that the United States of America represents an entirely new type. It is probable that this national type will be called upon to play a particularly important role in the future; indeed, we may not go too far if we consider this the characteristic type of future world-power, as the maritime, colonial state, with a European base and widely scattered colonies, was the type from the 16th to the 19th century." In *The American Economic Marvel* (*Das Amerikanische Wirtschaftswunder*), Dr. Hirsch believes that European industry and commerce cannot help being Americanized, while in *America and Europe* (*Amerika-Europa*) Herr Arthur Feiler thinks Europe will be Americanized, but cannot obtain the same results. Europe can only expect half the reward at most.

In form, in effort, in initiative, in method we are different in many ways from the rest of the world. We are contributing a new heaven to thought and trade.

"In no part of the world," said a German trader to me re-

cently, "do I find that strange something I call the Fountain of Youth, except in the United States, where it is so clearly manifest. And therefore every two or three years I renew my youth by traveling from your Atlantic to your Pacific coasts, where life takes on new vigor and inspiration at every turn of the road."

